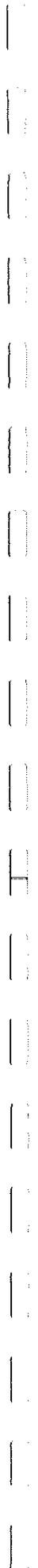


**ARCHULETA COUNTY, COLORADO**

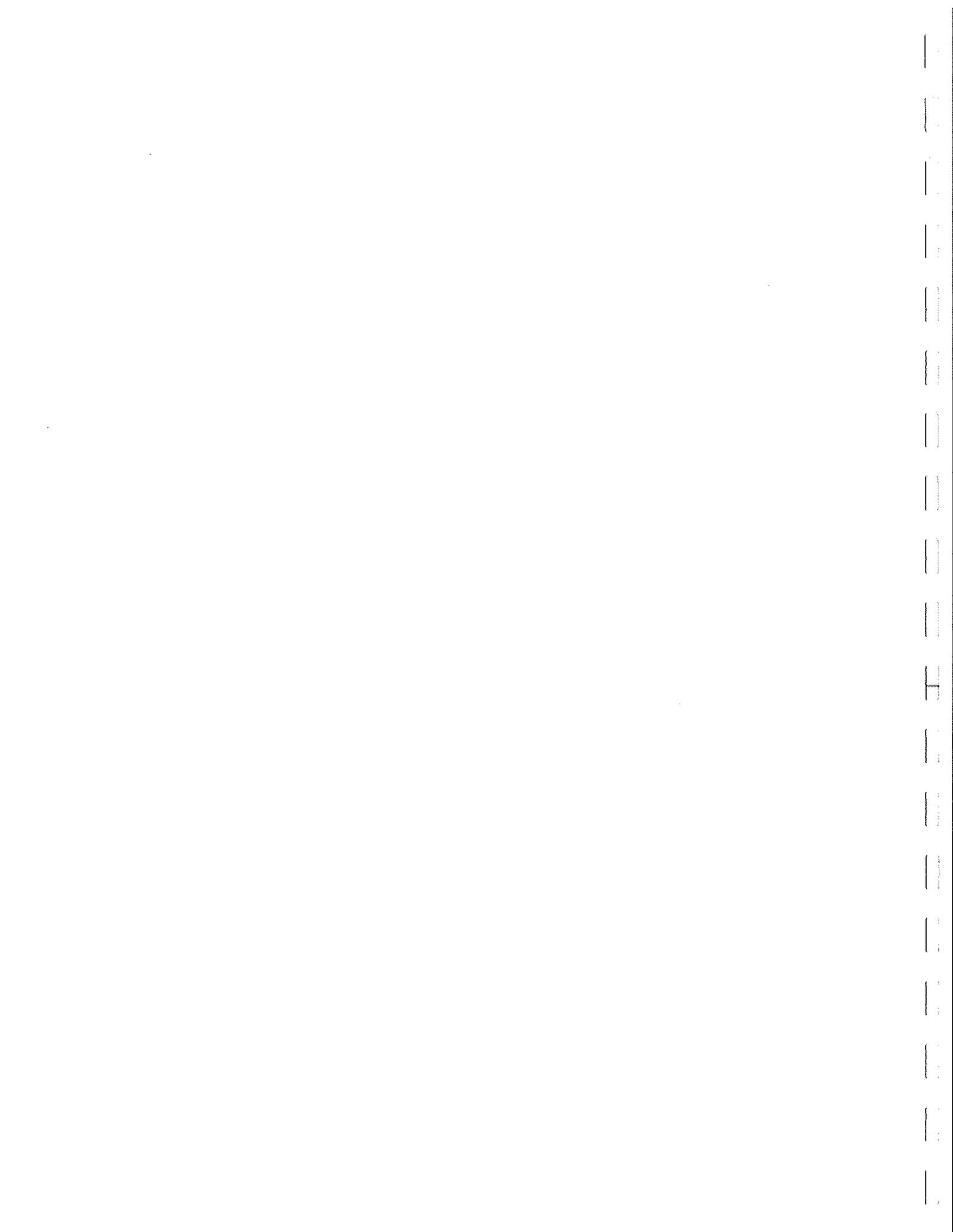
**FINANCIAL STATEMENTS**

**December 31, 2006**



**ARCHULETA COUNTY, COLORADO**  
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**INDEPENDENT AUDITORS' REPORT**

Board of County Commissioners  
Archuleta County, Colorado  
Pagosa Springs, CO

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Archuleta County, Colorado (the County) as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. We did not audit the financial statements of Archuleta County Housing Authority, Casa De Los Arcos, a discretely presented component unit. Those financial statements were audited by other auditors whose report dated October 19, 2006 expressed an unqualified opinion on them.

We were not able to obtain written representations from management of the County concerning transactions occurring for the year ended December 31, 2006, which took place under substantially different management. In addition, the County has not maintained adequate records and supporting documents which, reconcile differences in cash and investment balances between the Treasurer's Office and the accounting general ledger, reconcile inventory, reconcile capital assets, depreciation and capital outlay for governmental and business-type activities, reconcile the Human Services Fund general ledger to the Colorado Financial Management System, reconcile the Employee Benefit Fund general ledger to data provided by the third party administrator, disclose required footnote information, resolve significant deficit balances in the internal service funds, properly present the classification of revenue and expenditures/expenses, cash borrowings between funds, and current versus noncurrent accrued vacation and sick leave, which are departures from accounting principles generally accepted in the United States, also the County's internal controls were not adequate to provide safeguards over County assets and to assure the proper recording of transactions. Accordingly, we were unable to extend our audit procedures sufficiently to determine the extent to which the financial statements may have been affected by these conditions. Because we were unable to obtain written representations from management of the County as required by generally accepted auditing standards and because the County does not maintain adequate accounting records and supporting documents and reconciliations or have adequate internal controls and we were not able to apply other auditing procedures to satisfy ourselves as to the extent to which the financial statements are affected by these matters, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

The County has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the basic financial statements.



We were engaged to audit the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements, schedules, and reports listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The combining nonmajor fund financial statements and budgetary comparison information, as listed in the table of contents, the schedule of expenditures of federal awards, and the Local Highway Finance Report have not been subjected to auditing procedures due to the reasons stated above, we are unable to, and we do not express an opinion on the basic financial statements. Similarly we are unable to, and we do not, express an opinion on the supplementary information.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Certified Public Accountants

February 18, 2008

Except for the Schedule of Expenditures Federal Awards, as to which the date is March 24, 2008



**ARCHULETA COUNTY, COLORADO**  
**BASIC FINANCIAL STATEMENTS**

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**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF NET ASSETS**  
December 31, 2006

	Primary Government		TOTAL	Component Units
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 5,378,371	\$ 459,369	\$ 5,837,740	\$ 5,979
Restricted Cash and Investments	-	-	-	22,361
Receivables				
Property Taxes	4,491,494	-	4,491,494	-
Other	20,848	107,927	128,775	-
Accrued Interest	112	-	112	-
Inventory	72,756	10,007	82,763	-
Prepaid Expenses	-	-	-	1,871
Due From Other Governments	712,124	128,127	840,251	-
Internal Balances	113,520	(113,520)	-	-
<b>Total Current Assets</b>	<u>10,789,225</u>	<u>591,910</u>	<u>11,381,135</u>	<u>30,211</u>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Land	1,004,622	3,365,572	4,370,194	81,999
Construction in Progress	141,893	17,434,005	17,575,898	-
Runway Improvements, net	-	6,261,360	6,261,360	-
Buildings, net	1,568,670	885,363	2,454,033	763,720
Machinery, net	2,589,135	750,360	3,339,495	-
Vehicles, net	242,161	-	242,161	-
Furnishings	-	-	-	73,349
Computer Equipment, net	438,125	(10)	438,115	-
Accumulated Depreciation for Component Units	-	-	-	(621,192)
Loan Costs, net	-	-	-	15,358
<b>Total Noncurrent Assets</b>	<u>5,984,606</u>	<u>28,696,650</u>	<u>34,681,256</u>	<u>313,234</u>
<b>TOTAL ASSETS</b>	<u>16,773,831</u>	<u>29,288,560</u>	<u>46,062,391</u>	<u>343,445</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Checks in Excess of Bank Deposits	2,801,556	1,624,430	4,425,986	-
Accounts Payable	912,108	186,632	1,098,740	8,792
Retainage Payables	-	124,847	124,847	-
Incurred but Unreported Medical Claims	315,203	-	315,203	-
Accrued Interest	-	36,615	36,615	18,120
Accrued Payroll and Liabilities	121,175	6,778	127,953	-
Accrued Vacation and Sick Leave	642,922	24,914	667,836	-
Deposits Payable	13,095	-	13,095	3,179
Deferred Revenue	4,491,494	-	4,491,494	-
Other Current Liabilities	-	-	-	3,587
Notes Payable, Portion Due or Payable Within One Year	310,787	225,219	536,006	2,729
<b>Total Current Liabilities:</b>	<u>9,608,340</u>	<u>2,229,435</u>	<u>11,837,775</u>	<u>36,407</u>
<b>Noncurrent Liabilities:</b>				
Closure and Post Closure Costs	-	317,653	317,653	-
Notes Payable, Portion Due or Payable After One Year	1,254,369	1,849,997	3,104,366	806,980
<b>Total Noncurrent Liabilities</b>	<u>1,254,369</u>	<u>2,167,650</u>	<u>3,422,019</u>	<u>806,980</u>
<b>TOTAL LIABILITIES</b>	<u>10,862,709</u>	<u>4,397,085</u>	<u>15,259,794</u>	<u>843,387</u>

See Notes to the Basic Financial Statements

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF NET ASSETS**  
**December 31, 2006**

	<u>Primary Government</u>		<u>TOTAL</u>	<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	4,416,232	26,178,934	30,595,166	(496,475)
Restricted for:				
Capital Projects	3,994,137	-	3,994,137	-
Emergencies	554,343	-	554,343	-
Unrestricted	<u>(3,053,590)</u>	<u>(1,287,459)</u>	<u>(4,341,049)</u>	<u>(3,467)</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,911,122</u>	<u>\$ 24,891,475</u>	<u>\$ 30,802,597</u>	<u>\$ (499,942)</u>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2006

Functions/Programs Primary Government:	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Operating Grants & Contributions		Capital Grants & Contributions	Primary Government			
		Charges for Services	Operating Grants & Contributions		Governmental Activities	Business-Type Activities	TOTAL	
<b>Governmental Activities:</b>								
General government	\$ 6,128,071	\$ 2,108,331	\$ 587,101	\$ 136,950	\$ (3,295,689)	\$	\$ (3,295,689)	
Public safety	3,488,313	113,455	8,237	-	(3,366,621)		(3,366,621)	
Health and Welfare	1,610,768	29,754	680,472	-	(900,542)		(900,542)	
Highways and Streets	3,655,983	18,135	215,799	50,000	(3,372,049)		(3,372,049)	
Economic Development	221,393	-	123,170	-	(98,223)		(98,223)	
Recreation	112,501	48,367	78,638	-	14,504		14,504	
Interest Expense	18,351	-	-	-	(18,351)		(18,351)	
<b>Total Governmental Activities</b>	<b>15,235,380</b>	<b>2,318,042</b>	<b>1,693,417</b>	<b>186,950</b>	<b>(11,036,971)</b>		<b>(11,036,971)</b>	
<b>Business-Type Activities:</b>								
Airport	565,956	14,685	-	1,521,793	\$ 970,522		970,522	
Solid Waste	609,352	174,836	-	-	(434,516)		(434,516)	
<b>Total Business-Type Activities</b>	<b>1,175,308</b>	<b>189,521</b>	<b>-</b>	<b>1,521,793</b>	<b>536,006</b>		<b>536,006</b>	
<b>Total Primary Government</b>	<b>\$ 16,410,688</b>	<b>\$ 2,507,563</b>	<b>\$ 1,693,417</b>	<b>\$ 1,708,743</b>	<b>(11,036,971)</b>		<b>(10,500,965)</b>	
<b>Component Units:</b>								
Archuleta County Housing	\$ 186,109	\$ 30,077	\$ 82,538	\$ -			\$ (73,494)	
<b>Total Component Units</b>								
<b>General Revenues:</b>								
Taxes:								
Property Taxes					4,269,913		4,269,913	
Sales and Use Taxes					3,339,531		3,339,531	
Other Taxes and Shared Revenues					579,030		579,030	
Payments in Lieu of Taxes					543,012		543,012	
Interest Income					126,552		126,552	297
Miscellaneous					753,347		2,864,168	6,225
<b>Total General Revenues and Transfers</b>					<b>9,611,385</b>		<b>11,722,206</b>	<b>6,522</b>
Change in Net Assets					(1,425,586)		1,221,241	(66,972)
Net Assets - Beginning					8,847,634		19,529,887	(432,970)
Prior Period Adjustment					(1,510,926)		2,714,761	-
Net Assets - Beginning, restated					7,336,708		29,581,356	(432,970)
Net Assets - Ending					\$ 5,911,122		\$ 30,802,597	\$ (499,942)

**ARCHULETA COUNTY, COLORADO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2006**

	<u>GENERAL FUND</u>	<u>ROAD AND BRIDGE FUND</u>	<u>HUMAN SERVICES FUND</u>	<u>ROAD CAPITAL IMPROVEMENT FUND</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 746,139	\$ 214,281	\$ 367,502	\$ 2,485,377
Receivables				
Property Taxes	3,492,974	812,880	185,640	-
Accrued Interest	-	-	-	-
Inventories, at Cost	206	36,638	-	-
Due From Other Governments	301,914	161,647	(44,772)	293,335
Due From Other Funds	240,214	26,377	-	117,150
<b>TOTAL ASSETS</b>	<u>\$ 4,781,447</u>	<u>\$ 1,251,823</u>	<u>\$ 508,370</u>	<u>\$ 2,895,862</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Checks in Excess of Bank Deposits	\$ 479,792	\$ -	\$ 512,388	\$ -
Accounts Payable	365,900	238,790	46,912	3,982
Accrued Payroll and Liabilities	87,503	23,421	-	-
Due to Other Funds	813,261	99,304	126,875	-
Inmate Deposits	-	-	-	-
Deferred Revenue	3,492,974	812,880	185,640	-
<b>TOTAL LIABILITIES</b>	<u>5,239,430</u>	<u>1,174,395</u>	<u>871,815</u>	<u>3,982</u>
<b>FUND BALANCE</b>				
Fund Balance				
Reserved for Emergencies				
Emergencies	-	-	-	-
Inventory	-	36,638	-	-
Unreserved Fund Balance				
Designated for Future Capital Projects	-	-	-	2,891,880
Designated for Subsequent Year Expenditure	-	40,790	-	-
Undesignated	(457,983)	-	(363,445)	-
<b>TOTAL FUND BALANCE</b>	<u>(457,983)</u>	<u>77,428</u>	<u>(363,445)</u>	<u>2,891,880</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 4,781,447</u>	<u>\$ 1,251,823</u>	<u>\$ 508,370</u>	<u>\$ 2,895,862</u>

OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,565,072	\$ 5,378,371
-	4,491,494
112	112
-	36,844
-	712,124
<u>757,111</u>	<u>1,140,852</u>
<u>\$ 2,322,295</u>	<u>\$ 11,759,797</u>
\$ 446,536	\$ 1,438,716
83,916	739,500
1,181	112,105
41,281	1,080,721
13,095	13,095
-	4,491,494
<u>586,009</u>	<u>7,875,631</u>
554,343	554,343
-	36,638
1,102,257	3,994,137
40,389	81,179
39,297	(782,131)
<u>1,736,286</u>	<u>3,884,166</u>
<u>\$ 2,322,295</u>	<u>\$ 11,759,797</u>

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**ARCHULETA COUNTY, COLORADO**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO THE STATEMENT OF NET ASSETS**  
**December 31, 2006**

<b>Total governmental fund balances</b>	<b>\$</b>	<b>3,884,166</b>
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		5,981,388
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Notes Payable	\$	(1,565,156)
Compensated Absences		(642,922)
Internal Service Funds compensated absences included in net assets below		60,763
		(2,147,315)
<p>Internal service funds are used by management to charge the costs of self-insurance, fleet management, and nutrition for the jail and community groups to the individual funds. The assets and liabilities of these funds are included in governmental activities in the statement of net assets.</p>		(1,807,117)
<b>Net assets of governmental activities</b>	<b>\$</b>	<b><u>5,911,122</u></b>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2006**

	GENERAL FUND	ROAD AND BRIDGE FUND	HUMAN SERVICES FUND	ROAD CAPITAL IMPROVEMENT FUND
<b>REVENUES</b>				
Property Taxes	\$ 3,832,138	\$ 899,030	\$ 117,725	\$ -
Sales and Use Tax	1,649,787	-	-	1,648,021
Licenses and Permits	5,185	-	-	-
Intergovernmental	1,138,350	1,411,704	635,881	50,000
Charges for Services	2,014,739	(39,145)	18,456	-
Program Income	-	-	-	-
Interest Earnings	59,673	22,029	12,298	-
Other	90,630	2,433	45,308	483,684
<b>TOTAL REVENUE</b>	<u>8,790,502</u>	<u>2,296,051</u>	<u>829,668</u>	<u>2,181,705</u>
<b>EXPENDITURES</b>				
General Government	5,160,419	(5,964)	7,031	(4,905)
Public Safety	3,381,978	-	-	-
Health and Welfare	483,686	-	1,098,232	-
Highways and Streets	-	3,581,524	-	90,230
Economic Development	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	345,036	163,690	22,607	535,335
Debt Service	-	-	-	116,123
<b>TOTAL EXPENDITURES</b>	<u>9,371,119</u>	<u>3,739,250</u>	<u>1,127,870</u>	<u>736,783</u>
Excess (Deficiency) of Revenues Over Expenditures	(580,617)	(1,443,199)	(298,202)	1,444,922
Fund Balance at Beginning of Year	<u>122,634</u>	<u>1,520,627</u>	<u>(65,243)</u>	<u>1,446,958</u>
Fund Balance at End of Year	<u>\$ (457,983)</u>	<u>\$ 77,428</u>	<u>\$ (363,445)</u>	<u>\$ 2,891,880</u>

<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 50	\$ 4,848,943
41,723	3,339,531
-	5,185
370,582	3,606,517
196,683	2,190,733
77,611	77,611
32,552	126,552
131,292	753,347
<u>850,493</u>	<u>14,948,419</u>
736,649	5,893,230
-	3,381,978
-	1,581,918
-	3,671,754
216,127	216,127
100,602	100,602
165,726	1,232,394
-	116,123
<u>1,219,104</u>	<u>16,194,126</u>
(368,611)	(1,245,707)
<u>2,104,897</u>	<u>5,129,873</u>
<u>\$ 1,736,286</u>	<u>\$ 3,884,166</u>

**ARCHULETA COUNTY, COLORADO**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2006**

Net change in fund balances - total governmental funds \$ (1,245,707)

Amounts reported for governmental activities in the statements of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation and capital outlays in the current period.

Fixed asset purchases	\$	2,791,730	
Fixed assets deleted net of accumulated depreciation		(113,756)	
Depreciation expense		(985,585)	
			1,692,389

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Repayment of principal include:

Capital lease payments		97,772	
Capital lease proceeds		(1,138,625)	
			(1,040,853)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences		(206,561)	
Internal Service Funds compensated absences included below		20,173	
			(186,388)

Internal Service Funds are used by management to charge the costs of self-insurance, fleet management, and nutrition for the jail and community groups to the individual funds. The net revenue or loss of these services is reported with governmental activities.

(645,027)

Change in net assets of governmental funds \$ (1,425,586)

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Property Taxes				
General Property Taxes	\$ 3,260,189	\$ 3,260,189	\$ 3,370,671	\$ 110,482
Specific Ownership Tax	360,000	360,000	425,235	65,235
Penalty and Interest on Tax	-	-	36,232	36,232
Sales and Use Tax	1,639,100	1,639,100	1,649,787	10,687
<b>Total Taxes</b>	<u>5,259,289</u>	<u>5,259,289</u>	<u>5,481,925</u>	<u>222,636</u>
Licenses and Permits	-	-	5,185	5,185
Intergovernmental Revenue				
Federal Sources	583,195	583,195	647,112	63,917
State Sources	305,000	305,000	491,238	186,238
<b>Total Intergovernmental Revenue</b>	<u>888,195</u>	<u>888,195</u>	<u>1,138,350</u>	<u>250,155</u>
Charges for Services	1,808,700	1,808,700	2,014,739	206,039
Interest and Miscellaneous				
Interest Earnings	111,415	111,415	59,673	(51,742)
Miscellaneous	279,617	279,617	90,630	(188,987)
<b>Total Interest and Miscellaneous</b>	<u>391,032</u>	<u>391,032</u>	<u>150,303</u>	<u>(240,729)</u>
<b>TOTAL REVENUES</b>	<u>8,347,216</u>	<u>8,347,216</u>	<u>8,790,502</u>	<u>443,286</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General Government - General</b>				
Board of County Commissioners	183,490	183,490	178,262	5,228
Administration	676,053	676,053	1,054,868	(378,815)
Human Resources	89,886	89,886	100,061	(10,175)
Global Information Systems	257,658	257,658	257,098	560
Finance Office	223,585	223,585	196,272	27,313
Grant Expenditures	-	-	4,740	(4,740)
Public Trustee	15,813	15,813	14,525	1,288
Planning	480,774	480,774	554,544	(73,770)
County Clerk and Recorder	443,626	443,626	402,831	40,795
County Clerk - Elections	140,248	140,248	201,037	(60,789)
County Treasurer	298,687	298,687	277,160	21,527
County Assessor	726,627	726,627	757,589	(30,962)
County Attorney	227,592	227,592	151,471	76,121
Buildings and Maintenance	327,846	327,846	271,710	56,136
<b>Total General Government - General</b>	<u>4,091,885</u>	<u>4,091,885</u>	<u>4,422,168</u>	<u>(330,283)</u>
General Government - Judicial				
District Attorney	344,029	344,029	77,015	267,014
<b>Total General Government - Judicial</b>	<u>344,029</u>	<u>344,029</u>	<u>77,015</u>	<u>267,014</u>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
General Government - Auxiliary				
Veterans' Office	50,628	50,628	75,401	(24,773)
Extension Services	117,072	117,072	117,842	(770)
<b>Total General Government - Auxiliary</b>	<b>167,700</b>	<b>167,700</b>	<b>193,243</b>	<b>(25,543)</b>
General Government - Other				
Contributions, Dues, and Subscriptions	243,814	243,814	205,988	37,826
SMM	-	-	1,596	(1,596)
County Surveyor	6,276	6,276	18,177	(11,901)
Seniors - Pagosa	-	-	1,100	(1,100)
Transportation	-	-	1,464	(1,464)
Auditor's Expenditure Entries	-	-	239,668	(239,668)
<b>General Government - Other</b>	<b>250,090</b>	<b>250,090</b>	<b>467,993</b>	<b>(217,903)</b>
<b>Total General Government</b>	<b>4,853,704</b>	<b>4,853,704</b>	<b>5,160,419</b>	<b>(306,715)</b>
Public Safety				
County Sheriff	1,208,584	1,208,584	1,308,838	(100,254)
County Jail	1,268,419	1,268,419	1,231,564	36,855
Dispatch	390,716	390,716	365,564	25,152
Animal Control	151,290	151,290	154,610	(3,320)
County Coroner	56,236	56,236	56,665	(429)
Search and Rescue	40,700	40,700	30,275	10,425
Fire Control	148,265	148,265	234,462	(86,197)
<b>Total Public Safety</b>	<b>3,264,210</b>	<b>3,264,210</b>	<b>3,381,978</b>	<b>(117,768)</b>
Health and Welfare				
Emergency Management	48,060	48,060	65,662	(17,602)
Building Inspections	343,742	343,742	264,810	78,932
Safety Officer	-	-	197	(197)
Weed and Pest Control	129,936	129,936	131,232	(1,296)
Engineering	-	-	884	(884)
Flood Control	-	-	20,901	(20,901)
<b>Total Health and Welfare</b>	<b>521,738</b>	<b>521,738</b>	<b>483,686</b>	<b>38,052</b>
<b>Total Capital Outlay</b>	<b>-</b>	<b>-</b>	<b>345,036</b>	<b>(345,036)</b>
<b>TOTAL EXPENDITURES</b>	<b>8,639,652</b>	<b>8,639,652</b>	<b>9,371,119</b>	<b>(731,467)</b>
Excess (Deficiency) of Revenues Over Expenditures	(292,436)	(292,436)	(580,617)	(288,181)
<b>OTHER SOURCES (USES) OF FUNDS</b>				
Operating Transfers In	200,000	200,000	-	(200,000)
Operating Transfers Out	(792,700)	(792,700)	-	792,700
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(592,700)</b>	<b>(592,700)</b>	<b>-</b>	<b>592,700</b>

See Notes to the Basic Financial Statements

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Excess (Deficiency) of Revenues Over Expenditures and Other Sources (Uses)	(885,136)	(885,136)	(580,617)	304,519
Fund Balance at Beginning of Year	<u>1,345,478</u>	<u>1,345,478</u>	<u>122,634</u>	<u>(1,222,844)</u>
Fund Balance at End of Year	<u>\$ 460,342</u>	<u>\$ 460,342</u>	<u>\$ (457,983)</u>	<u>\$ (918,325)</u>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**ROAD AND BRIDGE FUND**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Property Taxes				
General Property Taxes	\$ 827,950	\$ 827,950	\$ 794,992	\$ (32,958)
Specific Ownership Tax	93,208	93,208	100,106	6,898
Penalty and Interest Tax	-	-	3,932	3,932
Total Property Taxes	<u>921,158</u>	<u>921,158</u>	<u>899,030</u>	<u>(22,128)</u>
Intergovernmental - Federal				
Forest Reserve and PILT	<u>105,000</u>	<u>105,000</u>	<u>111,645</u>	<u>6,645</u>
Intergovernmental - State and Local				
Highway Users	1,430,125	1,430,125	1,242,779	(187,346)
Automobile Registration	-	-	57,280	57,280
Total Intergovernmental - State and Local	<u>1,430,125</u>	<u>1,430,125</u>	<u>1,300,059</u>	<u>(130,066)</u>
Charges for Services	<u>68,900</u>	<u>68,900</u>	<u>(39,145)</u>	<u>(108,045)</u>
Other				
Interest	3,000	3,000	22,029	19,029
Refunds and Reimbursements	62,000	62,000	2,433	(59,567)
Total Other	<u>65,000</u>	<u>65,000</u>	<u>24,462</u>	<u>(40,538)</u>
<b>TOTAL REVENUES</b>	<u>2,590,183</u>	<u>2,590,183</u>	<u>2,296,051</u>	<u>(294,132)</u>
<b>EXPENDITURES</b>				
General Government	-	-	(4,819)	4,819
Highways and Streets				
Administration	386,971	386,971	323,193	63,778
Engineering	185,670	185,670	234,919	(49,249)
Maintenance of Condition	3,066,470	3,066,470	3,022,267	44,203
Capital Outlay	14,050	14,050	163,690	(149,640)
<b>TOTAL EXPENDITURES</b>	<u>3,653,161</u>	<u>3,653,161</u>	<u>3,739,250</u>	<u>(86,089)</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,062,978)	(1,062,978)	(1,443,199)	(380,221)
Fund Balance at Beginning of Year	<u>1,479,279</u>	<u>1,479,279</u>	<u>1,520,627</u>	<u>41,348</u>
Fund Balance at End of Year	<u>\$ 416,301</u>	<u>\$ 416,301</u>	<u>\$ 77,428</u>	<u>\$ (338,873)</u>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**HUMAN SERVICES FUND**  
**For the Year Ended December 31, 2006**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
<b>REVENUES</b>				
Taxes				
General Property Tax	\$ 100,996	\$ 100,996	\$ 104,631	\$ 3,635
Specific Ownership	11,845	11,845	13,094	1,249
Total Taxes	<u>112,841</u>	<u>112,841</u>	<u>117,725</u>	<u>4,884</u>
Intergovernmental				
State Programs	1,162,210	1,162,210	635,881	(526,329)
Charges for Services	-	-	18,456	18,456
Interest	25,000	25,000	12,298	(12,702)
Miscellaneous Revenues	<u>61,000</u>	<u>61,000</u>	<u>45,308</u>	<u>(15,692)</u>
<b>Total Revenues</b>	<u>1,361,051</u>	<u>1,361,051</u>	<u>829,668</u>	<u>(531,383)</u>
<b>EXPENDITURES</b>				
General Government	-	-	7,031	(7,031)
Social Services	1,399,923	1,399,923	1,098,232	301,691
Capital Outlay	<u>25,000</u>	<u>25,000</u>	<u>22,607</u>	<u>2,393</u>
<b>Total Expenditures</b>	<u>1,424,923</u>	<u>1,424,923</u>	<u>1,127,870</u>	<u>297,053</u>
Excess (deficit) of Revenues Over Expenditures	(63,872)	(63,872)	(298,202)	(234,330)
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>102,000</u>	<u>102,000</u>	<u>-</u>	<u>(102,000)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>102,000</u>	<u>102,000</u>	<u>-</u>	<u>(102,000)</u>
Excess (deficit) of Revenues Over Expenditures and Other Financing Sources (Uses)	38,128	38,128	(298,202)	(336,330)
<b>Fund Balance at Beginning of Year</b>	<u>47,880</u>	<u>47,880</u>	<u>(65,243)</u>	<u>(113,123)</u>
<b>Fund Balance at End of Year</b>	<u>\$ 86,008</u>	<u>\$ 86,008</u>	<u>\$ (363,445)</u>	<u>\$ (449,453)</u>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**December 31, 2006**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental - Activities</u>
	<u>AIRPORT FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 200	\$ 459,169	\$ 459,369	\$ -
Accounts Receivable	-	107,927	107,927	20,848
Inventory	2,449	7,558	10,007	35,912
Due from Other Funds	28,479	-	28,479	141,889
Due from Other Governments	127,468	659	128,127	-
<b>Total Current Assets</b>	<u>158,596</u>	<u>575,313</u>	<u>733,909</u>	<u>198,649</u>
<b>Noncurrent Assets</b>				
Land	3,056,406	309,166	3,365,572	-
Construction in Progress	17,434,005	-	17,434,005	-
Runway Improvements, net	6,261,360	-	6,261,360	-
Buildings, net	885,363	-	885,363	-
Machinery and Equipment, net	288,461	461,899	750,360	-
Vehicles, net	-	-	-	3,218
Computer Equipment, net	(10)	-	(10)	-
<b>Total Noncurrent Assets</b>	<u>27,925,585</u>	<u>771,065</u>	<u>28,696,650</u>	<u>3,218</u>
<b>TOTAL ASSETS</b>	<u>28,084,181</u>	<u>1,346,378</u>	<u>29,430,559</u>	<u>201,867</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Checks in Excess of Bank Deposits	1,624,430	-	1,624,430	1,362,840
Accounts Payable	159,384	27,248	186,632	172,608
Retainage Payable	124,847	-	124,847	-
Incurred but Unreported Medical Claims	-	-	-	315,203
Due to Other Funds	16,768	28,546	45,314	185,185
Accrued Interest Payable	36,615	-	36,615	-
Accrued Payroll and Liabilities	2,058	4,720	6,778	9,070
Accrued Vacation and Sick Leave	4,225	20,689	24,914	60,763
Notes Payable	225,219	-	225,219	-
<b>Total Current Liabilities</b>	<u>2,193,546</u>	<u>81,203</u>	<u>2,274,749</u>	<u>2,105,669</u>
<b>Noncurrent Liabilities</b>				
Notes Payable	1,849,997	-	1,849,997	-
Closure and Post-Closure Costs	-	317,653	317,653	-
<b>Total Current Liabilities</b>	<u>1,849,997</u>	<u>317,653</u>	<u>2,167,650</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>4,043,543</u>	<u>398,856</u>	<u>4,442,399</u>	<u>2,105,669</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	25,725,522	453,412	26,178,934	3,218
Unrestricted	(1,684,884)	494,110	(1,190,774)	(1,907,020)
<b>TOTAL NET ASSETS</b>	<u>\$ 24,040,638</u>	<u>\$ 947,522</u>	<u>24,988,160</u>	<u>\$ (1,903,802)</u>

**Adjustments:**

Reflect the Consolidation of Internal Service  
Fund Activities Related to Enterprise Funds

(96,685)

**Net Assets of Business-Type Activities**

\$ 24,891,475



ARCHULETA COUNTY, COLORADO  
Notes to Financial Statements  
December 31, 2000

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**NOTE F - INTERFUND TRANSACTIONS**

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Nonrecurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Interfund receivable and payable balances at December 31, 2000, and schedule of operating transfers in and out during 2000 are as follows:

Due To/Due Froms

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 334,033	\$ 789,993
Road and Bridge Fund	14,225	30
Social Services Fund	-	3,121
Nutrition Fund	15,185	-
Emergency 911 Fund	-	11,317
Senior Fund	1,000	8,089
Transportation Fund	2,449	-
Sales Tax Fund	-	358,738
Road Capital Improvement Fund	196,190	-
Capital Projects Fund	750,000	-
Self Insurance	-	125,000
Solid Waste Fund	<u>1,307</u>	<u>18,101</u>
Totals	<u>\$ 1,314,389</u>	<u>\$ 1,314,389</u>



ARCHULETA COUNTY, COLORADO  
Notes to Financial Statements  
December 31, 2001

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**NOTE F - INTERFUND TRANSACTIONS**

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Nonrecurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Interfund receivable and payable balances at December 31, 2001, and schedule of operating transfers in and out during 2001 are as follows:

Due To/Due Froms

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 354,868	\$ 811,388
Road and Bridge Fund	22,881	7,329
Social Services Fund	-	2,935
Nutrition Fund	14,765	1,164
Emergency 911 Fund	-	11,317
Senior Fund	1,000	6,506
Transportation Fund	4,188	6,912
Sales Tax Fund	-	402,194
Road Capital Improvement Fund	217,918	-
Capital Projects Fund	750,000	-
Self Insurance	33,272	125,000
Solid Waste Fund	<u>1,307</u>	<u>25,454</u>
Totals	<u>\$ 1,400,199</u>	<u>\$1,400,199</u>



Archuleta County, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2002

**NOTE E – DEFINED CONTRIBUTION PLAN – CONTINUED**

2002 was \$4,184,978. The County's contributions were calculated using the base salary amount of \$4,184,978. Both the County and the covered employees made the required contributions, amounting to \$123,528 from the County and \$123,528 from employees, or \$247,057 in total.

**NOTE F – INTERFUND TRANSACTIONS**

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Nonrecurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Interfund receivable and payable balances at December 31, 2002, and schedule of operating transfers in and out during 2002 are as follows:

Due To/Due From

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 392,172	\$ 813,678
Road and Bridge Fund	23,989	318,020
Social Services Fund	–	36,541
Airport Fund	11,750	–
Emergency Reserve Fund	51,020	–
Nutrition Fund	20,243	2,411
Emergency 911 Fund	–	13,186
Senior Fund	(36)	9,399
Transportation Fund	18,484	–
Sidewalk Escrow Fund	6,923	–
Sales Tax Fund	–	435,624
Road Capital Improvement Fund	234,632	–
Capital Projects Fund	680,317	–
Self Insurance	6,336	151,429
Fleet Maintenance Fund	379,725	–
Solid Waste Fund	<u>1,307</u>	<u>46,574</u>
Totals	<u>\$ 1,826,862</u>	<u>\$ 1,826,862</u>



Archuleta County, Colorado

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G – INTERFUND TRANSACTIONS**

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Nonrecurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Interfund receivable and payable balances at December 31, 2003, and schedule of operating transfers in and out during 2003 are as follows:

Due To/Due From	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 257,550	\$ 908,324
Road and Bridge Fund	35,173	156,111
Social Services Fund	-	117,130
Airport Fund	206,540	6,598
Nutrition Fund	31,349	1,885
Emergency 911 Fund	-	11,316
Senior Fund	-	19,198
Transportation Fund	14,968	30,635
Sidewalk Escrow Fund	6,922	-
Sales Tax Fund	-	435,625
Road Capital Improvement Fund	319,962	-
Capital Projects Fund	750,000	205,090
Self Insurance	47,734	-
Fleet Maintenance Fund	283,229	2,670
Solid Waste Fund	-	58,845
	<u>                  </u>	<u>                  </u>
Totals	<u>\$ 1,953,427</u>	<u>\$ 1,953,427</u>



Archuleta County, Colorado  
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

**NOTE E – INTERFUND TRANSACTIONS**

Transactions between funds that would be treated as revenues, expenditures or expenses if they involved organizations external to the County are accounted for as revenues, expenditures or expenses in the funds involved. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of the expenditure/expense in the fund that is reimbursed.

Nonrecurring or non-routine transfers of equity between funds are referred to as residual equity transfers and are reported as additions to or deductions from the fund balance of governmental funds. All other legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

Interfund receivable and payable balances at December 31, 2004, and schedule of operating transfers in and out during 2004 are as follows:

Due To/Due From

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 33,703	\$ 841,429
Road and Bridge Fund	26,377	122,041
Human services Fund	-	104,612
Airport Fund	13,069	-
Nutrition Fund	23,958	-
Emergency 911 Fund	-	11,317
Senior Fund	1,551	11,830
Transportation Fund	3,489	10,883
Sidewalk Escrow Fund	6,922	-
Road Capital Improvement Fund	117,150	-
Capital Projects Fund	750,000	16,714
Self Insurance	799	-
Fleet Maintenance Fund	197,773	22
Solid Waste Fund	<u>-</u>	<u>55,943</u>
<b>Totals</b>	<b><u>\$ 1,174,791</u></b>	<b><u>\$ 1,174,791</u></b>



**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 4 PROPERTY TAXES RECEIVABLE**

At December 31, 2005, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 3,372,493
Road and Bridge Fund	795,444
Human Services Fund	104,029
	<u>\$ 4,271,966</u>

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County reports interfund balances between many of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at December 31, 2005 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 23,445
	Nonmajor Governmental Funds	13,363
	Solid Waste Fund	18,221
	Internal Service Funds	185,185
Road & Bridge Fund	General Fund	23,133
	Solid Waste Fund	3,244
Road Capital Improvement Fund	General Fund	102,150
	Airport Fund	15,000
Nonmajor Governmental Funds	General Fund	756,923
	Other Nonmajor Funds	188
Airport Fund	General Fund	11,765
	Nonmajor Governmental Funds	16,714
Internal Service Funds	General Fund	21,440
	Road & Bridge Fund	99,304
	Human Services Fund	1,280
	Nonmajor Governmental Funds	11,016
	Solid Waste Fund	7,081
	Airport Fund	1,768
Total		<u>\$ 1,311,220</u>



**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

Interfund receivable and payable balances at December 31, 2006 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 23,445
	Nonmajor Governmental Funds	13,363
	Solid Waste Fund	18,221
	Internal Service Funds	185,185
Road & Bridge Fund	General Fund	23,133
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	Other Nonmajor Funds	188
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	Road & Bridge Fund	99,304
	Human Services Fund	1,280
	Nonmajor Governmental Funds	11,016
	Solid Waste Fund	7,081
	Airport Fund	1,768
	Total	<u>\$ 1,311,220</u>

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance 12/31/2005	Adjustment	Additions	Deletions	Balance 12/31/2006
<b>Governmental Activities</b>					
Capital assets not being depreciated					
Land	\$ 684,496	\$ 290,126	\$ 30,000	\$ -	\$ 1,004,622
Construction in Progress	2,057,036	(2,057,036)	141,893	-	141,893
Prior Year CIP not Capitalized	101,671	(101,671)	-	-	-
Total capital assets not being depreciated	<u>2,843,203</u>	<u>(1,868,581)</u>	<u>171,893</u>	<u>-</u>	<u>\$ 1,146,515</u>
Capital assets being depreciated					
Buildings and Improvements	2,227,256	(42,200)	160,385	-	2,345,441
Machinery and Equipment	3,634,509	2,258,196	1,746,309	1,259,855	6,379,159
Vehicles	2,088,387	(1,921,729)	298,680	117,159	348,179
Computer Equipment	225,483	28,454	414,466	-	668,403
Total capital assets being depreciated	<u>8,175,635</u>	<u>322,721</u>	<u>2,619,840</u>	<u>1,377,014</u>	<u>9,741,182</u>
Less accumulated depreciation for:					
Buildings and Improvements	742,003	(23,868)	58,636	-	776,771
Machinery and Equipment	3,031,757	1,170,249	740,071	1,152,053	3,790,024
Vehicles	1,382,698	(1,225,211)	59,736	111,205	106,018
Computer Equipment	59,240	43,896	127,142	-	230,278
Total capital assets being depreciated, net	<u>5,215,698</u>	<u>(34,934)</u>	<u>985,585</u>	<u>1,263,258</u>	<u>4,903,091</u>
Total capital assets being depreciated, net	<u>2,959,937</u>	<u>357,655</u>	<u>1,634,255</u>	<u>113,756</u>	<u>4,838,091</u>
Governmental activities capital assets, net	<u>\$ 5,803,140</u>	<u>\$ (1,510,926)</u>	<u>\$ 1,806,148</u>	<u>\$ 113,756</u>	<u>\$ 5,984,606</u>

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2006**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental - Activities</u>
	<u>AIRPORT FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 14,685	\$ 174,318	\$ 189,003	\$ 1,234,941
Other	141,209	391,697	532,906	5,691
Unclassified Transactions	968,705	609,210	1,577,915	-
<b>Total Operating Revenues</b>	<u>1,124,599</u>	<u>1,175,225</u>	<u>2,299,824</u>	<u>1,240,632</u>
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Salaries and Benefits	129,046	299,318	428,364	578,197
Materials and Supplies	84,861	134,264	219,125	1,016,285
Purchased Services	128,687	68,707	197,394	(53,429)
Unclassified Transactions	-	-	-	400,503
Depreciation	89,785	98,254	188,039	-
<b>Total Operating Expenses</b>	<u>432,379</u>	<u>600,543</u>	<u>1,032,922</u>	<u>1,941,556</u>
Operating Income (Loss)	<u>692,220</u>	<u>574,682</u>	<u>1,266,902</u>	<u>(700,924)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Revenues	-	-	-	1,370
Interest Expense	(87,859)	-	(87,859)	-
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(87,859)</u>	<u>-</u>	<u>(87,859)</u>	<u>1,370</u>
Income (Loss) Before Transfers and Capital Grants	604,361	574,682	1,179,043	(699,554)
Capital Grants	1,521,793	518	1,522,311	-
Changes in Net Assets	<u>2,126,154</u>	<u>575,200</u>	<u>2,701,354</u>	<u>(699,554)</u>
<b>Net Assets at beginning of year</b>				
As previously stated	19,129,845	442,200	19,572,045	(1,204,248)
Prior Period Adjustment	<u>2,784,639</u>	<u>(69,878)</u>	<u>2,714,761</u>	<u>-</u>
<b>Net Assets at beginning of year</b>				
Restated	<u>21,914,484</u>	<u>372,322</u>	<u>22,286,806</u>	<u>(1,204,248)</u>
<b>Net Assets at end of year</b>	<u>\$ 24,040,638</u>	<u>\$ 947,522</u>	<u>24,988,160</u>	<u>\$ (1,903,802)</u>
<b>Adjustments:</b>				
Reflects the Consolidation of Internal Service Fund Activities Related to Enterprise Funds			<u>(96,685)</u>	
<b>Change in Net Assets of Business-Type Activities</b>			<u>\$ 24,891,475</u>	

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2006

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental - Activities</u>
	<u>AIRPORT FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL</u>	<u>INTERNAL SERVICE FUNDS</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 155,894	\$ 592,933	\$ 748,827	\$ 1,220,040
Cash paid to employees	(128,909)	(298,880)	(427,789)	(555,252)
Cash paid to suppliers	(540,138)	(161,654)	(701,792)	(776,126)
Cash received (paid) - unclassified	968,705	609,210	1,577,915	(400,503)
Net cash provided (used) by operating activities	455,552	741,609	1,197,161	(511,841)
<b>Cash flows from noncapital financing activities:</b>				
Change in Bank Overdrafts	1,268,650	-	1,268,650	469,210
Net cash provided (used) by noncapital financing activities	1,268,650	-	1,268,650	469,210
<b>Cash flows from capital and related financing activities:</b>				
Capital grants	2,174,038	518	2,174,556	-
Capital acquisitions	(3,590,012)	(420,582)	(4,010,594)	-
Payments of interest	(91,671)	-	(91,671)	-
Payment of note principal	(216,557)	-	(216,557)	-
Net cash provided (used) by capital and related financing activities	(1,724,202)	(420,064)	(2,144,266)	-
<b>Cash flows from investing activities:</b>				
Interest Received	-	-	-	1,370
Net cash provided (used) by investing activities	-	-	-	1,370
<b>Increase (Decrease) in Cash and Investments</b>	-	321,545	321,545	(41,261)
<b>Cash and cash equivalents, Beginning of the Year</b>	200	137,624	137,824	41,261
<b>Cash and cash equivalents, End of the Year</b>	<u>\$ 200</u>	<u>\$ 459,169</u>	<u>\$ 459,369</u>	<u>\$ -</u>
<b>Operating income (loss)</b>	\$ 692,220	\$ 574,682	\$ 1,266,902	\$ (700,924)
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities</b>				
Depreciation	89,785	98,254	188,039	-
(Increase) decrease in accounts receivable	-	26,918	26,918	(20,592)
(Increase) decrease in inventory	(2,449)	(7,558)	(10,007)	66,801
Increase (decrease) in accounts payable	(324,141)	22,891	(301,250)	70,862
Increase (decrease) in accrued employee expenses	137	438	575	22,945
Increase (decrease) in accrued post closure liability	-	25,984	25,984	49,067
Total adjustments	(236,668)	166,927	(69,741)	189,083
<b>Net cash provided (used) by operating activities</b>	<u>\$ 455,552</u>	<u>\$ 741,609</u>	<u>\$ 1,197,161</u>	<u>\$ (511,841)</u>

See Notes to the Basic Financial Statements

**ARCHULETA COUNTY, COLORADO**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**For the Year Ended December 31, 2006**

	<b>TREASURER'S AGENCY FUND</b>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$        481,054</u>
<b>TOTAL ASSETS</b>	<u><u>\$        481,054</u></u>
<b>LIABILITIES</b>	
Funds Held For Others	<u>\$        481,054</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$        481,054</u></u>

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**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

**REPORTING ENTITY**

***Primary Government***

The County is a political subdivision organized under the statutes of the State of Colorado. The County is governed by a three-member Board of County Commissioners (the Board). Each commissioner is elected at-large by the voters of the County to represent one of the three separate districts and must reside in the district for which he or she is elected. There are also five other elected officials - assessor, clerk and recorder, coroner, sheriff, and treasurer. The treasurer is also the County Public Trustee.

The County provides a wide range of services to its residents including public safety, highways and streets, health and human services, planning, zoning, property tax assessment, property tax collection and distribution, extension service, landfill operations, airport operations, recording and general administrative services.

***Component Units***

The County's combined financial statements include the accounts of all County operations. The criteria for including organizations as component units within the County's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The County holds the corporate powers of the organization
- The County appoints a voting majority of the organization's board
- The County is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the County
- There is fiscal dependency by the organization on the County
- The organization is financially accountable to the County
- The organization receives or holds funds that are for the benefit of the County; and the County has access to a majority of the funds held; and the funds that are accessible are also significant to the County.

***Blended Component Units***

The accounts of the Luxury Place and Hackamore Place Local Improvement Districts are blended in the County's financial statements. The Local Improvement Districts are not a legally separate entities and the County holds the corporate powers. The activities of the Local Improvement Districts are reported in the County's financial report as the special revenue fund "Local Improvement Districts".

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

***Discretely Presented Component Units***

The Archuleta County Housing Authority is a legally separate organization, but the County is financially accountable for the Housing Authority because the County Commissioners approve a voting majority of the Authority's governing body and impose their will by having the ability to remove appointed members of the Authority's board. The Archuleta County Housing Authority is presented as a proprietary fund type in the County's financial statements. The Housing Authority issues separate financial statements with a fiscal year end of July 31<sup>st</sup> and may be obtained by contacting the Housing Authority. NOTE 14 contains the footnote information for the Housing Authority and this information is not included in any other footnote disclosures of the County's financial report.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the County and its component units, except for County fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the Government-wide Financial Statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales and use taxes, other taxes, charges for services, intergovernmental revenues, and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

- The *General Fund* is the general operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Road and Bridge Fund* is used to account for the maintenance and improvements of streets and highways. The sources of funds include property taxes, highway users fees, and other revenue sources.
- The *Human Services Fund* is used to account for the operations of social programs; i.e. Temporary Aid to Needy Families, Old Age Pension, Aide to the Blind, Aide to the Needy and Disabled, among others. Financing is provided by grants, allotments, and property tax revenue.
- The *Road Capital Improvement Fund* is used to account for continuing capital improvements to the County's road system and the acquisition of machinery and equipment to perform those capital improvements.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows.

The Proprietary Fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are incurred.

The County reports the following major proprietary funds:

- The *Solid Waste Fund* is used to account for the operation, maintenance, and the development of the County landfill.
- The *Airport Fund* is used to account for the operations and maintenance of the County Airport.

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

The County reports the following fund type:

- ***Internal Service Funds.*** These funds account for maintenance on County equipment, self-insured health insurance plan and food and commodities costs for the jail and community based programs.

Fiduciary fund financial statements consist of the trust and agency fund established to record transactions relating to assets held by the County in a trustee capacity or as an agent for individuals, governmental entities, and non-public organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated except, in the statement of activities, internal service fund transactions have been eliminated.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are service fees charged to the other funds and employee contributions. Operating expenses for the internal service fund include insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

##### ***Cash, Cash Equivalents, and Investments***

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair market value. Negative balances incurred in pooled cash at year-end are treated as interfund receivables of the General fund and interfund payables of the deficit fund.

##### ***Property Taxes***

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The County Treasurer bills and collects all property taxes for the County. Property tax revenue is recognized by the County to the extent it results in a current receivable.

The 2006 property tax levy due January 1, 2007 has been recorded in the financial statements as a receivable and a corresponding deferred revenue in the financial statements.

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

***Receivables/Payables from Other County Funds***

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds."

***Inventories and Prepaid Items***

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for use. Reported inventories are equally offset by a reservation of fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. Inventory policy on government-wide statements is consistent with fund statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital Assets***

Capital Assets, which include land, buildings and improvements, equipment, vehicles, construction in progress, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000, except for computer equipment which uses an individual cost of more than \$500. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Costs related to the construction of assets including interest, engineering, legal, surveying and landscaping that were incurred from the beginning of construction until the assets were substantially complete were capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Land Improvements	15
Machinery and Equipment	7
Vehicles	5
Computer Equipment	5

***Long-Term Obligations***

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as other financing sources and debt payments are reported as other financing uses.

***Compensated Absences***

A maximum of 80 to 160 hours of vacation time, per year, may be accumulated by each employee. Employees who have over five years of continued employment and are eligible for either one hundred twenty (120), or one hundred sixty (160) hours of earned vacation, have the option of either receiving

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

payment or having accrued vacation time added to the employee's contribution to the retirement plan. Such contributions shall be the monetary equivalent of any vacation time earned over eighty (80) hours in a given year.

Employees will be paid for up to the maximum accumulated of unused vacation hours upon separation from County service after six months of continuous service.

After five years of continuous service, upon voluntary retirement or resignation in good standing, an employee will be paid for accumulated sick leave at the rate of 50%, for all unused sick leave, up to the maximum of 480 hours. After the maximum 480 hours is reached, the employee is eligible to be paid for 50% of any unused sick leave over the 480 hours or a maximum of 48 hours, as calculated on December 31, of each year, at the hourly rate which the employee is receiving as of December 31. The employee will be paid prior to January 31 of the following year.

After six months of continuous service, upon termination an employee will be paid for accumulated sick leave at the rate of 50% of all unused sick leave up to the maximum accumulative number of hours, which is 480 hours.

The County accrues a liability for compensated absences that meets the following criteria:

- 1) The County's obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- 2) The obligation relates to rights that vest or accumulate.
- 3) Payment of the compensation is probable.
- 4) The amount can be reasonably estimated

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only when due.

***Deferred Revenue***

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as deferred revenues.

***Fund Equity***

In the fund financial statements, reserved fund balances indicate that a portion of fund equity is not available for appropriation or is legally restricted by outside parties of use for a specific purpose. Fund reservations include debt service, inventories, and TABOR (discussed later). Designated fund balances indicate tentative plans for future use. Undesignated fund balances indicate that a portion of fund equity is available for budgeting in future periods.

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

***Sales Tax Allocation***

The County collects a 2% sales tax. The first one percent is allocated 100 percent to the General Fund. The remaining one percent of taxes collected is allocated 100 percent to the Road Capital Improvement Fund for capital expenditures.

***Use of estimates***

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgets and Budgetary Accounting***

The County follows the procedures set forth in the Colorado Local Government Budget Law when preparing the annual budget for each fund. Budget procedures include:

1. In accordance with State statutes, prior to October 15, the County Budget Director submits to the Board of County Commissioners a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to December 31, the budget is legally enacted through passage of a resolution. The associated appropriations resolution is adopted at the fund level.
4. The County Finance Director is required to present a monthly report to the Board of County Commissioners noting any variance from the approved budget.
5. Formal budgetary integration is employed as a management control device during the year.
6. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse at the end of each fiscal year.
8. The Commissioners reserve the authority to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any funds are approved by the Commissioners by resolution.
9. The Board of County Commissioners may authorize supplemental appropriations during the year. The Board of County Commissioners did not adopt supplemental appropriations during 2006.

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

***Stewardship***

The following funds had a deficit fund balance or net assets balance as of December 31, 2006. This is a violation of Colorado State Statutes.

	<u>Deficit</u>
General Fund	\$ 457,983
Human Services Fund	363,445
Fair Board Fund	13,271
Community Service Fund	384
Senior Fund	160,714
Transportation Fund	101,468
Pagosa Lakes Trail Fund	23
Fleet Fund	1,222,199
Nutrition Fund	38,729
Self Insurance Fund	642,874

Expenditures in the following funds exceeded appropriations during 2006. This is a violation of Colorado State Statutes.

	<u>Excess</u>
General Fund	\$ 731,467
Road and Bridge Fund	86,089
Tourism Fund	30,127
Fair Board Fund	5,941
Conservation Trust Fund	8,100
Community Service Fund	2,365
Capital Improvements Fund	235,995
Airport Fund	1,754,061
Solid Waste Fund	247,128
Fleet Service Fund	269,459

**NOTE 3 CASH, DEPOSITS AND INVESTMENTS**

**CASH AND DEPOSITS**

At December 31, 2006 the financial statements reflected cash and cash equivalents as follows:

Governmental Type Activities:	
Cash and Cash Equivalents	\$ 5,378,371
Checks in excess of bank deposits	(2,801,556)
Business Type Activities:	
Cash and Cash Equivalents	459,369
Checks in excess of bank deposits	(1,624,430)
Fiduciary Fund	
Cash and Cash Equivalents	481,054
	<u>\$ 1,892,808</u>

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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The carrying amounts of deposits and investments are as follows:

Cash on hand	\$	4,365
Cash deposits		782,487
Certificates of Deposit		199,298
Investments held in COLOTRUST		906,658
		\$ 1,892,808

Colorado State Statutes govern the County's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

***Custodial Credit Risk – Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. At December 31, 2006, \$796,564 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

**INVESTMENTS**

The County's investments are subject to interest rate, credit risk, and concentration of credit risk.

The types of investments which are authorized to be made with County funds are controlled by state statute and the investment policies of the County. Colorado statutes and the County's investment policies specify investment instruments meeting defined rating and risk criteria in which the County may invest:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Repurchase agreements
- Money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks.

**ARCHULETA COUNTY, COLORADO**  
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***Credit Risk***

The County does not have a formal investment policy. The County has investments in local government investment pools. As of December 31, 2006, the local government investment pool (COLOTRUST) in which the County had invested, was rated AAA by Standard & Poor's.

***Interest Rate Risk***

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from increasing interest rates. The County has no investments with maturities past five years.

The Colorado Government Liquid Asset Trust (COLOTRUST), is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned by the pool are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pool. Investments of the pool consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury Notes.

**NOTE 4 PROPERTY TAXES RECEIVABLE**

At December 31, 2006, the County had an estimated property tax receivable divided among the funds as follows:

General Fund	\$ 3,492,974
Road and Bridge Fund	812,880
Human Services Fund	<u>185,640</u>
	<u>\$ 4,491,494</u>

**NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County reports interfund balances between many of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date.

**ARCHULETA COUNTY, COLORADO**  
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Interfund receivable and payable balances at December 31, 2006 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 23,445
	Nonmajor Governmental Funds	13,363
	Solid Waste Fund	18,221
Road & Bridge Fund	Internal Service Funds	185,185
	General Fund	23,133
	Solid Waste Fund	3,244
Road Capital Improvement Fund	General Fund	102,150
	Airport Fund	15,000
Nonmajor Governmental Funds	General Fund	756,923
	Other Nonmajor Funds	188
Airport Fund	General Fund	11,765
	Nonmajor Governmental Funds	16,714
Internal Service Funds	General Fund	21,440
	Road & Bridge Fund	99,304
	Human Services Fund	1,280
	Nonmajor Governmental Funds	11,016
	Solid Waste Fund	7,081
	Airport Fund	1,768
	Total	<u>\$ 1,311,220</u>

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Balance 12/31/2005	Adjustment	Additions	Deletions	Balance 12/31/2006
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 684,496	\$ 290,126	\$ 30,000	\$ -	\$ 1,004,622
Construction in Progress	2,057,036	(2,057,036)	141,893	-	141,893
Prior Year CIP not Capitalized	101,671	(101,671)	-	-	-
Total capital assets not being depreciated	<u>2,843,203</u>	<u>(1,868,581)</u>	<u>171,893</u>	<u>-</u>	<u>\$ 1,146,515</u>
Capital assets being depreciated					
Buildings and Improvements	2,227,256	(42,200)	160,385	-	2,345,441
Machinery and Equipment	3,634,509	2,258,196	1,746,309	1,259,855	6,379,159
Vehicles	2,088,387	(1,921,729)	298,680	117,159	348,179
Computer Equipment	225,483	28,454	414,466	-	668,403
Total capital assets being depreciated	<u>8,175,635</u>	<u>322,721</u>	<u>2,619,840</u>	<u>1,377,014</u>	<u>9,741,182</u>
Less accumulated depreciation for:					
Buildings and Improvements	742,003	(23,868)	58,636	-	776,771
Machinery and Equipment	3,031,757	1,170,249	740,071	1,152,053	3,790,024
Vehicles	1,382,698	(1,225,211)	59,736	111,205	106,018
Computer Equipment	59,240	43,896	127,142	-	230,278
	<u>5,215,698</u>	<u>(34,934)</u>	<u>985,585</u>	<u>1,263,258</u>	<u>4,903,091</u>
Total capital assets being depreciated, net	<u>2,959,937</u>	<u>357,655</u>	<u>1,634,255</u>	<u>113,756</u>	<u>4,838,091</u>
Governmental activities capital assets, net	<u>\$ 5,803,140</u>	<u>\$ (1,510,926)</u>	<u>\$ 1,806,148</u>	<u>\$ 113,756</u>	<u>\$ 5,984,606</u>

**ARCHULETA COUNTY, COLORADO**  
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	Balance 12/31/2005	Adjustment	Additions	Deletions	Balance 12/31/2006
<b>Business-Type Activities</b>					
Capital assets not being depreciated					
Land	\$ 3,558,571	\$ (396,763)	\$ 203,764	\$ -	\$ 3,365,572
Construction in Progress	13,208,317	2,826,139	1,399,549	-	17,434,005
Total capital assets not being depreciated	<u>16,766,888</u>	<u>2,429,376</u>	<u>1,603,313</u>	<u>-</u>	<u>20,799,577</u>
Capital assets being depreciated					
Runway	8,283,974	231,320	-	-	8,515,294
Buildings and Improvements	261,475	-	846,990	-	1,108,465
Machinery and Equipment	580,526	123,686	548,036	152,918	1,099,330
Vehicles	183,256	(183,256)	-	-	-
Computer Equipment	2,693	(1,433)	-	-	1,260
Total capital assets being depreciated	<u>9,311,924</u>	<u>170,317</u>	<u>1,395,026</u>	<u>152,918</u>	<u>10,724,349</u>
Less accumulated depreciation for:					
Runway	2,331,358	(144,409)	66,985	-	2,253,934
Buildings and Improvements	217,855	(16,389)	21,636	-	223,102
Machinery and Equipment	203,965	188,606	99,333	142,934	348,970
Vehicles	141,681	(141,681)	-	-	-
Computer Equipment	2,379	(1,195)	86	-	1,270
	<u>2,897,238</u>	<u>(115,068)</u>	<u>188,040</u>	<u>142,934</u>	<u>2,827,276</u>
Total capital assets being depreciated, net	<u>6,414,686</u>	<u>285,385</u>	<u>1,206,986</u>	<u>9,984</u>	<u>7,897,073</u>
Business-Type activities capital assets, net	<u>\$ 23,181,574</u>	<u>\$ 2,714,761</u>	<u>\$ 2,810,299</u>	<u>\$ 9,984</u>	<u>\$ 28,696,650</u>

In 2006, the County hired an outside accounting firm for accounting services including reconciling the capital assets schedule. A physical inventory was taken and compared to fixed asset records. The physical inventory identified assets on the schedule that needed to be added or deleted. The net adjustments to the capital assets were (\$1,514,144) and \$2,576,298 for the governmental and business-type activities, respectively. These amounts are shown above.

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental Activities**

General Government	\$ 458,737
Recreation	6,600
Highways and Streets	<u>520,248</u>

Total depreciation expense - governmental activities \$ 985,585

**Business-type Activities**

Airport	\$ 89,785
Solid Waste	<u>98,255</u>

Total depreciation expense - business-type activities \$ 188,040

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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**NOTE 7 LONG-TERM LIABILITIES**

***Changes in Long-term Liabilities***

	Ending Balance 12/31/2005	Additions	Deletions	Ending Balance 12/31/2006	Due Within One Year
Governmental activities:					
Capital Leases Payable	\$ 524,303	\$ 1,138,625	\$ 97,772	\$ 1,565,156	\$ 310,787
Compensated Absences	436,361	206,561	-	642,922	642,922
Governmental activities long-term liabilities	<u>\$ 960,664</u>	<u>\$ 1,345,186</u>	<u>\$ 97,772</u>	<u>\$ 2,208,078</u>	<u>\$ 953,709</u>
Business-type activities:					
Note Payable	\$ 2,291,773	-	\$ 216,557	\$ 2,075,216	\$ 225,219
Compensated Absences	25,114	-	200	24,914	24,914
Business-type activities long-term liabilities	<u>\$ 2,316,887</u>	<u>\$ -</u>	<u>\$ 216,757</u>	<u>\$ 2,100,130</u>	<u>\$ 250,133</u>

**GOVERNMENTAL ACTIVITIES:**

***Capital Leases Payable***

The County has adopted the policy of acquiring certain fixed assets through the use of lease-purchase agreements. For the lease-purchase backed by the full faith and credit of the County, debt service is accounted for in the fund that accounts for the function associated with the net asset.

The County entered into a capital lease payable to Wells Fargo Brokerage Services, LLC, payable in annual installments of \$116,123, beginning July 28, 2006, at 3.50% interest, for the purchase of road and bridge equipment. Payments will be made from the Road Capital Improvement Fund. Final payment is due in 2010. These assets are recorded in the fixed assets of the government-wide financial statements at \$522,539, less accumulated depreciation of \$123,767, at December 31, 2006.

The County entered into a capital lease payable to Wells Fargo Brokerage Services, LLC, payable in annual installments of \$256,845, beginning December 8, 2007, at 4.15% interest, for the purchase of road and bridge equipment. Payments will be made from the Road Capital Improvement Fund. Final payment is due in 2011. These assets are recorded in the fixed assets of the government-wide financial statements at \$985,104, less accumulated depreciation of \$143,706, at December 31, 2006.

The annual debt service for the capital lease is as follows:

YEAR	PRINCIPAL	INTEREST	TOTALS
2007	\$ 310,787	\$ 62,181	\$ 372,968
2008	323,027	49,941	372,968
2009	335,751	37,217	372,968
2010	348,980	23,988	372,968
2011	246,611	10,234	256,845
	<u>\$ 1,565,156</u>	<u>\$ 183,561</u>	<u>\$ 1,748,717</u>

**ARCHULETA COUNTY, COLORADO**  
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**BUSINESS-TYPE ACTIVITIES:**

***Note Payable***

Note payable to the Colorado Department of Transportation, payable in annual payments of \$308,227, including interest at 4%. Final payment is due in 2014. The note is secured by a security interest in the County's Aviation Fuel Tax Refund revenue. This debt is recorded in the Airport Fund and the balance at December 31, 2006 was \$2,075,216.

The annual debt service for the note payable is as follows:

YEAR	PRINCIPAL	INTEREST	TOTALS
2007	\$ 225,219	\$ 83,008	\$ 308,227
2008	234,227	74,000	308,227
2009	243,597	64,630	308,227
2010	253,340	54,887	308,227
2011	263,474	44,753	308,227
2012-2014	855,359	69,323	924,682
	<u>\$ 2,075,216</u>	<u>\$ 390,601</u>	<u>\$ 2,465,817</u>

**NOTE 8 RETIREMENT**

***Defined Contribution Plan***

The County provides pension benefits for all of its full-time employees through an agent multi-employer public retirement system, the Colorado County Officials and Employees Retirement Association (CCOERA), a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon hire. The County has established that employees contribute 4% and the County contributes a matching 4% of the employee's base salary each month. The County's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous plan participation. The participants in this plan are offered various investment options through the plan and are allowed to invest all monies in their account, at their own discretion, among the options.

County contributions for, and interest forfeited by, employees who leave employment before five years of participation are used to reduce the County's current contribution requirements. The County's total payroll in 2006 was \$6,660,943. Both the County and the covered employees made the required contributions, amounting to \$249,725 from the County and \$337,455 from employees. Information is not available to determine the base salary amount which determined the County's contribution. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners. That report may be obtained by writing to Colorado County Officials and Employee Retirement Association, 4949 South Syracuse, Suite 400, Denver, CO 80237 or by calling 1-800-352-0313.

***Deferred Compensation Plan***

The County also offers its employees an additional voluntary deferred compensation plan created in accordance with Internal Revenue Code 457(f).

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The plan permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergencies. The County has no other liability other than to make the required monthly contribution.

**NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation.

The County believes it is in compliance with the requirements of the amendment. However, the County has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE 10 RISK MANAGEMENT**

***Self- Insurance Fund***

In 1991, the County began a self-insurance program for medical and dental claims. The purpose of the program is to pay medical and dental claims of the County employees and minimize annual medical insurance costs to the County. Medical claims exceeding \$35,000 per covered individual or any amount over \$1,000,000 in employer claim liability is covered by a private insurance carrier. The self-insurance fund is funded through payroll withholdings from employees and County funds.

The County does not report excess insurance risk liabilities unless it is probable that these risks will not be exceeding insurance. There were no material changes in insurance coverage or settlements exceeding insurance coverage for the last three fiscal years.

The claim liability of \$315,203 reported in the Self Insurance Fund is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claim liability amount in fiscal year 2006 are as follows:

	2006
Liability at January 1	\$ 266,136
Net change in liability	49,067
Balance at December 31	\$ 315,203

The detail of the net change was not readily available from the County's accounting records.

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***Colorado Counties Casualty and Property Pool (CAPP)***

The County is exposed to various risks of loss related to property and casualty losses. The County joined together with other counties in the State of Colorado to form the Colorado Counties Casualty and Property Pool (CAPP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CAPP for its property and casualty insurance coverage. The inter-governmental agreement of formation of CAPP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2006, CAPP had assets of \$26,052,274, liabilities of \$7,780,450 (including \$4,587,737 reserved for losses and claims), and members' equity of \$18,271,824. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2006 amounted to \$6,622,522 and total expenses were \$6,047,557, resulting in an excess of revenues over expenditures of \$574,965.

***Colorado Workers' Compensation Pool (CWCP)***

The County is exposed to various risks of loss related to injuries of employees while on the job. The County has joined together with other counties in the State of Colorado to form the Colorado Workers' Compensation Pool (CWCP), a public entity risk pool currently operating as a common risk management and insurance program for member counties. The County pays an annual contribution to CWCP for its workers' compensation insurance coverage. The intergovernmental agreement of formation of CWCP provides that the pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention that is determined each policy year. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded insurance coverage for the current year or the three prior years.

At December 31, 2006, CWCP had assets of \$21,012,419, liabilities of \$13,521,261 (including \$12,851,882 reserved for losses and claims) and members' equity of \$7,491,158. The liability amount includes no long-term debt. Total revenues for the year ended December 31, 2006 amounted to \$9,433,186, total expenses were \$8,163,251, resulting in an excess of revenues over expenses (net gain) of \$1,269,935.

**NOTE 11 LANDFILL CLOSURE AND POST CLOSURE CARE COSTS**

State and Federal laws require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The county completed the necessary engineering studies in 2004 to estimate the landfill's capacity and closure and post closure costs.

In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized in the Solid Waste Fund based on the estimated future closure and post closure care costs that will be incurred near or after the date the landfill no longer will accept waste. The amount recognized each year is based on the landfill capacity used as of the balance sheet date. At

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December 31, 2006 the County estimates the remaining life of the landfill site is until 2026. The estimated liability for landfill closure and post closure recognized is \$317,653 as of December 31, 2006. The detail of the estimated capacity used to date and the remaining estimated cost of closure and post closure was not readily available from the County's accounting records.

The estimated total current cost of the landfill closure and post closure is based on the amount that would be paid if all equipment facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2006. However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, results of soil samples, test wells or changes in landfill laws and regulations.

Any future inflation costs and additional costs that might arise from changes in post closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers or both. The closure and post closure costs are being funded on a pay as you go basis. Closure and post closure financial assurance requirements are being met by meeting the requirements of the Local Government Financial Test under CRS-30-20-104.5 and Section 1.8 of the Solid Waste Regulations.

**NOTE 12 COMMITMENTS AND CONTINGENCIES**

***Grant Programs*** – The County participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of expenditures, if any, which may be disallowed by the granting agencies cannot be determined at this time although the County expects any such amounts to be immaterial.

***Litigation*** – The County is currently the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of legal counsel, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements; accordingly, no provision for losses has been recorded.

***Insurance Pools*** – The County is a member of the Colorado Counties Casualty and Property Pool (CAPP) and the Colorado Workers' Compensation Pool (CWCP). CAPP and CWCP have a legal obligation for claims against its members to the extent that funds are available in their annually established loss funds and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds are direct liabilities of the participating members. CAPP and CWCP have indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs. The ultimate liability to the County resulting from claims not covered by CAPP and CWCP is not presently determinable.

***Operating Leases*** – The County is committed under various leases for facilities and equipment. Additional information is not available as of December 31, 2006.

***Construction Projects*** – At year-end, the County was engaged with two contractors for work being performed at the County Airport under Airport Improvement Project #15. This project is funded by grants from the Federal Aviation Administration and the State of Colorado Department of Transportation, Aeronautics Division. The anticipated completion date of these contracts is fiscal year 2007.

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**NOTE 13 PRIOR PERIOD ADJUSTMENTS**

A physical inventory was taken during the year and reconciled to the fixed asset accounting system. There were many discrepancies identified that have accumulated over the years. Prior period adjustments have been recorded to restate the beginning net assets of the governmental activities in the amount of \$(1,510,926) and the business-type net assets in the amount of \$2,714,761.

**NOTE 14 ARCHULETA COUNTY HOUSING AUTHORITY COMPONENT UNIT NOTES**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

Archuleta County Housing Authority was created to provide housing assistance to low income elderly individuals. The Archuleta County Housing Authority was formed by Archuleta County, Colorado, solely to provide management for projects of this type. As of the report date, this 16-unit project is the only housing project of Archuleta County Housing Authority. It is governed by a five-member board, one member of which is an Archuleta County Commissioner. Replacements are selected by the Archuleta County Board of County Commissioners. No fees are paid to the board. The apartments known as Casa Del Los Arcos represents the only assets, revenues and expenditures of Archuleta County Housing Authority.

***Basis of Presentation***

The financial statements have been prepared in conformity with the accounting and reporting standards prescribed by the U.S. department of Housing and Urban Development (HUD) in the *Financial Operations and Accounting Procedures for Insured Multifamily Projects*. These standards can differ in some respects from generally accepted accounting principles, but in this project they do not.

***Basis of Accounting***

The accrual basis of accounting is used in this financial report. The Authority is considered an enterprise fund. An enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises -- where the intent is that costs (expenses, including depreciation) of providing goods and services are to be financed or recovered primarily through user charges.

***Accounting Cycle***

The Authority is engaged solely in rental of apartments and, therefore, does not have an operating cycle in which goods are acquired and sold. Classification of assets and liabilities under "current" and "non-current" captions is based on reporting formats prescribed by the Department of Housing and Urban Development.

***Budgets and Budgetary Accounting***

In compliance with laws of the State of Colorado, the enterprise fund of the Authority is budgeted and money appropriated to allow for expenditures. The budget is prepared on a GAAP basis. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

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Prior to July 31, the management submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them. The budget is legally enacted through passage by the Board.

Encumbrance accounting systems record outstanding obligations of the Authority for budgetary purposes. Since all encumbrances lapse at the end of the accounting year and are re-encumbered in the following, no reservation is necessary for outstanding encumbrances at year-end.

The Authority overspent their 2006 budget, which might be a violation of state budget law.

***Cash and Cash Investments***

For purpose of the statement of cash flows, the Authority considers all highly liquid debt instruments with maturity of three months or less to be cash equivalents.

At July 31, 2006, the Authority's cash deposits had bank balances of \$31,933 and a corresponding carrying balance as follows:

	July 31, 2006
Insured deposits:	
Unrestricted	\$ 5,934
Restricted	22,361
Total	\$ 28,295

All deposits are protected by FDIC.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by State regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

***Property and Equipment***

Major classes of fixed assets are as follows:

	July 31, 2006
Land	\$ 42,250
Land Improvements	39,749
Building and Improvements	763,720
Furniture and Fixtures	73,349
Total Fixed Assets	919,068
Less Accumulated Depreciation	(621,192)
Net	\$ 297,876

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Depreciation is computed using the straight-line method based on estimated useful lives of ten to thirty years.

***Mortgage Payable***

Mortgage payable to Colorado Housing and Finance Authority, payable in 360 monthly payments of \$691 including interest at 4%. Said note represents a first deed of trust on the apartments	\$ 134,406
Mortgage payable to HUD payable in amounts equal to surplus cash as defined by a mortgage restructuring the deed of trust note dated August 28, 2002, said note to have an interest of 1%.	523,626
Mortgage payable to HUD payable in amounts equal to surplus cash as defined by a deed of trust dated August 28, 2002, said note to have and interest rate of 1%.	<u>143,708</u>
Total	<u>801,740</u>
On August 21, 2002, the Authority executed a promissory note to Southwest Community Resources payable \$114 for 120 months including interest at 2%.	<u>7,969</u>
Total Mortgage Payable	<u><u>\$ 809,709</u></u>

***Compensation of Officers***

There has been no compensation of officers or directors.

***Related Party Transactions***

There were no related party transactions.

***Deficit Fund Balance***

Archuleta County Housing Authority has a deficit fund balance as a result of depreciation of their fixed assets. This will change in future years as a larger percentage of the mortgage payment is applied to principal and less is charged as the expense of interest.

***Pass Through Funds***

Archuleta County Housing Authority passed through to Southwest Community Resources, Inc. \$325,883 in Section 8 Housing Certificates and Vouchers. These funds were included in the audited financial statements of Southwest Community Resources, Inc.

***Risk Management***

The Authority is exposed to various risks of loss related to property and casualty losses. The Authority has purchased insurance through commercial companies for protection from said risks.

**ARCHULETA COUNTY, COLORADO**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**December 31, 2006**

***Tax Spending and Debt Limitations***

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of State and local governments. The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment. However, the authority has made certain interpretations of the amendment's language in order to determine its compliance.

**ARCHULETA COUNTY, COLORADO  
NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expend for particular purposes.

*Emergency Reserve Fund* – This fund is used to account for emergency funds set aside in compliance with Article X, Section 20 of the Colorado Constitution (known as the TABOR Amendment).

*Tourism Fund* – This fund is used to account for lodging tax revenues and related expenditures.

*Fair Board Fund* – This fund is used to account for county fair activity.

*Conservation Trust Fund* – This fund is used to account for the County share of the state lottery program. The monies may be expended only for the acquisition, development, and maintenance of parks, and other public recreational facilities.

*Community Service Fund* – This fund is used to account for revenues from court fines.

*Jail Commissary Fund* – This fund is used to account for the revenue and expenditures associated with providing commissary items to the prisoners at the County Jail.

*Emergency 911 Fund* – This fund is used to account for the activity of providing emergency telephone services to the County's residents.

*Senior Fund* – This fund is used to account for the activity of providing meals to the County's elderly and needy residents.

*Transportation Fund* – This fund is used to account for transportation provided to local citizens.

*Sidewalk Escrow Fund* – This fund is used to account for assessments paid to fund new sidewalks.

*Pagosa Lake Trails Fund* – This fund is used to account for resources collected to build trails at Pagosa Lakes.

*Piedra Road Fund* – This fund is used to account for funds received and expended on the Piedra Road project.

*Local Improvement Districts* – These funds were formed to account for certain subdivisions that have taxpayers paying assessments to fund certain road maintenance and improvements.

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

*Capital Projects Fund* – This fund is used to account for resources designated for capital expenditures.

*Fairfield Defaulted Improvements Settlement Fund* – This fund is used to partially compensate property owners in the eligible subdivisions when they complete the extension of electrical power to their lot.

**ARCHULETA COUNTY, COLORADO**  
**COMBINING BALANCE SHEET BY FUND TYPE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**December 31, 2006**

	NONMAJOR SPECIAL REVENUE FUNDS	NONMAJOR CAPITAL PROJECTS FUNDS	TOTAL
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,021,127	\$ 543,945	\$ 1,565,072
Due From Other Governments	-	-	-
Due From Other Funds	7,111	750,000	757,111
Accrued Interest	112	-	112
Other Receivables	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,028,350</b>	<b>\$ 1,293,945</b>	<b>\$ 2,322,295</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Checks in Excess of Bank Deposits	\$ 274,387	\$ 172,149	\$ 446,536
Accounts Payable	81,091	2,825	83,916
Accrued Payroll and Liabilities	1,181	-	1,181
Due to Other Funds	24,567	16,714	41,281
Inmate Deposits	13,095	-	13,095
<b>TOTAL LIABILITIES</b>	<b>394,321</b>	<b>191,688</b>	<b>586,009</b>
<b>FUND BALANCE</b>			
Fund Balance			
Reserved for Emergencies	554,343	-	554,343
Unreserved Fund Balance			
Designated for Future Capital Projects	-	1,102,257	1,102,257
Designated for Subsequent Year Expenditure	40,389	-	40,389
Undesignated	39,297	-	39,297
<b>TOTAL FUND BALANCE</b>	<b>634,029</b>	<b>1,102,257</b>	<b>1,736,286</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,028,350</b>	<b>\$ 1,293,945</b>	<b>\$ 2,322,295</b>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES BY FUND TYPE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2006**

	NONMAJOR SPECIAL REVENUE FUND	NONMAJOR CAPITAL PROJECTS FUND	TOTAL
<b>REVENUES</b>			
Property Taxes	\$ 50	\$ -	\$ 50
Sales and Use Tax	41,723	-	41,723
Intergovernmental	233,632	136,950	370,582
Charges for Services	196,683	-	196,683
Program Income	77,611	-	77,611
Interest	10,315	22,237	32,552
Other	131,292	-	131,292
<b>TOTAL REVENUE</b>	<u>691,306</u>	<u>159,187</u>	<u>850,493</u>
<b>EXPENDITURES</b>			
Current			
General Government	664,546	72,103	736,649
Public Safety	-	-	-
Recreation	100,602	-	100,602
Economic Development	216,127	-	216,127
Capital Outlay	-	165,726	165,726
<b>TOTAL EXPENDITURES</b>	<u>981,275</u>	<u>237,829</u>	<u>1,219,104</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(289,969)</u>	<u>(78,642)</u>	<u>(368,611)</u>
Fund Balance at Beginning of Year	<u>923,998</u>	<u>1,180,899</u>	<u>2,104,897</u>
Fund Balance at End of Year	<u>\$ 634,029</u>	<u>\$ 1,102,257</u>	<u>\$ 1,736,286</u>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**December 31, 2006**

	Emergency Reserve Fund	Tourism Fund	Fair Board Fund	Conservation Trust Fund	Community Service Fund	Jail Commissary Fund	Emergency 911 Fund	Senior Fund	Transportation Fund	Sidewalk Escrow Fund	Pagosa Lakes Trail Fund	Piedra Road Fund	Local Improvement Districts	TOTALS
<b>ASSETS</b>														
Cash on Hand	\$ -	\$ -	\$ 500	\$ -	\$ -	\$ -	\$ -	\$ 100	\$ 50	\$ -	\$ -	\$ -	\$ -	\$ 650
Cash and Investments	554,343	2,344	21,363	224,453	8,145	31,146	166,418	-	49	7,024	-	1,302	3,890	1,020,477
Due from Other Governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	188	6,923	-	-	-	7,111
Accrued Interest	-	-	112	-	-	-	-	-	-	-	-	-	-	112
Other Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$554,343</b>	<b>\$ 2,344</b>	<b>\$ 21,975</b>	<b>\$ 224,453</b>	<b>\$ 8,145</b>	<b>\$ 31,146</b>	<b>\$166,418</b>	<b>\$ 100</b>	<b>\$ 287</b>	<b>\$ 13,947</b>	<b>\$ -</b>	<b>\$ 1,302</b>	<b>\$ 3,890</b>	<b>\$ 1,028,350</b>
<b>LIABILITIES AND FUND BALANCE</b>														
<b>LIABILITIES</b>														
Checks in Excess of Bank Deposits	\$ -	\$ -	\$ 35,246	\$ -	\$ -	\$ -	\$ -	\$ 146,680	\$ 92,438	\$ -	\$ 23	\$ -	\$ -	\$ 274,387
Accounts Payable	-	-	-	62,100	8,529	-	-	7,685	2,516	-	-	-	261	81,091
Accrued Payroll and Liabilities	-	-	-	-	-	-	1,181	-	-	-	-	-	-	1,181
Due to Other Funds	-	-	-	-	-	-	11,317	6,449	6,801	-	-	-	-	24,567
Immate Deposits	-	-	-	-	-	13,095	-	-	-	-	-	-	-	13,095
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>35,246</b>	<b>62,100</b>	<b>8,529</b>	<b>13,095</b>	<b>12,498</b>	<b>160,814</b>	<b>101,755</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>261</b>	<b>394,321</b>
<b>FUND BALANCE</b>														
Reserved for TABOR	554,343	-	-	-	-	-	-	-	-	-	-	-	-	554,343
Unreserved	-	-	-	-	-	-	34,599	-	-	5,790	-	-	-	40,389
Designated for Subsequent Year Exp	-	2,344	(13,271)	162,353	(384)	18,051	119,321	(160,714)	(101,468)	8,157	(23)	1,302	3,629	39,297
Unreserved, Undesignated	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<b>554,343</b>	<b>2,344</b>	<b>(13,271)</b>	<b>162,353</b>	<b>(384)</b>	<b>18,051</b>	<b>153,920</b>	<b>(160,714)</b>	<b>(101,468)</b>	<b>13,947</b>	<b>(23)</b>	<b>1,302</b>	<b>3,629</b>	<b>634,029</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$554,343</b>	<b>\$ 2,344</b>	<b>\$ 21,975</b>	<b>\$ 224,453</b>	<b>\$ 8,145</b>	<b>\$ 31,146</b>	<b>\$166,418</b>	<b>\$ 100</b>	<b>\$ 287</b>	<b>\$ 13,947</b>	<b>\$ -</b>	<b>\$ 1,302</b>	<b>\$ 3,890</b>	<b>\$ 1,028,350</b>

**ARCHULETA COUNTY, COLORADO  
COMBINING BALANCE SHEET  
LOCAL IMPROVEMENT DISTRICTS  
December 31, 2006**

	<u>LUXURY PLACE DISTRICT</u>	<u>HACKAMORE PLACE DISTRICT</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Investments	\$ 261	\$ 3,629	\$ 3,890
<b>TOTAL ASSETS</b>	<u>\$ 261</u>	<u>\$ 3,629</u>	<u>\$ 3,890</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 261	\$ -	\$ 261
<b>TOTAL LIABILITIES</b>	<u>261</u>	<u>-</u>	<u>261</u>
<b>FUND BALANCE</b>			
Fund Balance			
Unreserved, Undesignated	-	3,629	3,629
<b>TOTAL FUND BALANCE</b>	<u>-</u>	<u>3,629</u>	<u>3,629</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 261</u>	<u>\$ 3,629</u>	<u>\$ 3,890</u>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**For the Year Ended December 31, 2006**

	Emergency Reserve Fund	Tourism Fund	Fair Board Fund	Conservation Trust Fund	Community Service Fund	Jail Commissary Fund	Emergency 911 Fund	Senior Fund	Transportation Fund	Sidewalk Escrow Fund	Pagosa		Local Improvement Districts	TOTALS
											Lakes Trail Fund	Piedra Road Fund		
<b>REVENUES</b>														
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50
Sales and Use Tax	-	41,723	-	-	-	-	-	-	-	-	-	-	-	41,723
Intergovernmental	-	-	-	78,638	-	-	-	31,824	123,170	-	-	-	-	233,632
Charges for Services	-	-	48,367	-	-	-	148,316	-	-	-	-	-	-	196,683
Program Income	-	-	-	-	-	-	-	74,035	3,576	-	-	-	-	77,611
Interest	2,068	139	-	7,146	-	584	-	-	-	308	-	\$	65	10,315
Other	-	17,572	-	31,482	12,720	(39,955)	-	52,178	57,295	-	-	-	-	131,292
<b>TOTAL REVENUE</b>	<b>2,068</b>	<b>59,434</b>	<b>48,367</b>	<b>117,266</b>	<b>12,720</b>	<b>(39,371)</b>	<b>148,316</b>	<b>158,037</b>	<b>184,041</b>	<b>308</b>	<b>-</b>	<b>55</b>	<b>65</b>	<b>691,306</b>
<b>EXPENDITURES</b>														
General Government	(1,059)	-	(361)	62,100	15,565	(46,545)	134,196	257,389	243,261	-	-	-	-	664,546
Recreation	-	-	74,602	26,000	-	-	-	-	-	-	-	-	-	100,602
Economic Development	-	216,127	-	-	-	-	-	-	-	-	-	-	-	216,127
<b>TOTAL EXPENDITURES</b>	<b>(1,059)</b>	<b>216,127</b>	<b>74,241</b>	<b>88,100</b>	<b>15,565</b>	<b>(46,545)</b>	<b>134,196</b>	<b>257,389</b>	<b>243,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>981,275</b>
Excess (Deficiency) of Revenues Over Expenditures	3,127	(156,693)	(25,874)	29,166	(2,845)	7,174	14,120	(99,352)	(59,220)	308	-	55	65	(289,969)
<b>Fund Balance at Beginning of Year</b>	<b>551,216</b>	<b>159,037</b>	<b>12,603</b>	<b>133,187</b>	<b>2,461</b>	<b>10,877</b>	<b>139,800</b>	<b>(61,362)</b>	<b>(42,248)</b>	<b>13,639</b>	<b>(23)</b>	<b>1,247</b>	<b>3,564</b>	<b>923,998</b>
<b>Fund Balance at End of Year</b>	<b>\$554,343</b>	<b>\$ 2,344</b>	<b>\$ (13,271)</b>	<b>\$ 162,353</b>	<b>\$ (384)</b>	<b>\$ 18,051</b>	<b>\$153,920</b>	<b>\$ (160,714)</b>	<b>\$ (101,468)</b>	<b>\$ 13,947</b>	<b>\$ (23)</b>	<b>\$ 1,302</b>	<b>\$ 3,629</b>	<b>\$ 634,029</b>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**LOCAL IMPROVEMENT DISTRICTS**  
**For the Year Ended December 31, 2006**

	<u>LUXURY PLACE DISTRICT</u>	<u>HACKAMORE PLACE DISTRICT</u>	<u>TOTAL</u>
<b>REVENUES</b>			
Interest Income	\$ -	\$ 65	\$ 65
<b>TOTAL REVENUE</b>	<u>-</u>	<u>65</u>	<u>65</u>
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	-	65	65
Fund Balance at Beginning of Year	<u>-</u>	<u>3,564</u>	<u>3,564</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ 3,629</u>	<u>\$ 3,629</u>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**December 31, 2006**

	<b>CAPITAL IMPROVEMENT FUND</b>	<b>FAIRFIELD DEFAULTED IMPROVEMENTS SETTLEMENT FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 57,980	\$ 485,965	\$ 543,945
Due From Other Funds	750,000	-	750,000
<b>TOTAL ASSETS</b>	<b>\$ 807,980</b>	<b>\$ 485,965</b>	<b>\$ 1,293,945</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Checks in Excess of Bank Deposits	\$ 172,149	\$ -	\$ 172,149
Accounts Payable	2,825	-	2,825
Due to Other Funds	16,714	-	16,714
<b>TOTAL LIABILITIES</b>	<b>191,688</b>	<b>-</b>	<b>191,688</b>
<b>FUND BALANCE</b>			
Fund Balance			
Unreserved, Designated for Future Capital Projects	616,292	485,965	1,102,257
<b>TOTAL FUND BALANCE</b>	<b>616,292</b>	<b>485,965</b>	<b>1,102,257</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 807,980</b>	<b>\$ 485,965</b>	<b>\$ 1,293,945</b>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**For the Year Ended December 31, 2006**

	<b>CAPITAL IMPROVEMENT FUND</b>	<b>FAIRFIELD DEFAULTED IMPROVEMENTS SETTLEMENT FUND</b>	<b>TOTAL</b>
<b>REVENUES</b>			
Intergovernmental Revenues	\$ 136,950	\$ -	\$ 136,950
Interest	4,293	17,944	22,237
<b>TOTAL REVENUE</b>	<b>141,243</b>	<b>17,944</b>	<b>159,187</b>
<b>EXPENDITURES</b>			
General Government	72,109	(6)	72,103
Capital Outlay	163,886	1,840	165,726
<b>TOTAL EXPENDITURES</b>	<b>235,995</b>	<b>1,834</b>	<b>237,829</b>
Excess (Deficiency) of Revenues Over Expenditures	(94,752)	16,110	(78,642)
<b>Fund Balance at Beginning of Year</b>	<b>711,044</b>	<b>469,855</b>	<b>1,180,899</b>
<b>Fund Balance at End of Year</b>	<b>\$ 616,292</b>	<b>\$ 485,965</b>	<b>\$ 1,102,257</b>

**ARCHULETA COUNTY, COLORADO**  
**INTERNAL SERVICE FUNDS**

Internal service funds are used to account for the financing of goods or services provided by a department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

*Fleet Maintenance Fund* – This fund is used to account for the maintenance and supplies for County vehicles and machinery.

*Self Insurance Fund* – This fund is used to account for the health insurance plan provided by the County to its employees. The premiums charged are allocated to the County funds that employ those covered by the health insurance plan.

*Nutrition Fund* – This fund is used to account for the activity of providing food for the jail and community groups.

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**December 31, 2006**

	<u>FLEET FUND</u>	<u>NUTRITION FUND</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Accounts Receivable	\$ -	\$ 20,848	\$ -	\$ 20,848
Inventory	35,912	-	-	35,912
Due from Other Funds	114,383	27,506	-	141,889
<b>Total Current Assets</b>	<u>150,295</u>	<u>48,354</u>	<u>-</u>	<u>198,649</u>
<b>Noncurrent Assets</b>				
Vehicles, net	3,218	-	-	3,218
<b>TOTAL ASSETS</b>	<u>153,513</u>	<u>48,354</u>	<u>-</u>	<u>201,867</u>
<b>LIABILITIES</b>				
Checks in Excess of Deposits	1,220,618	56,031	86,191	1,362,840
Accounts Payable	81,128	-	91,480	172,608
Incurred but Unreported Medical Claims	-	-	315,203	315,203
Due to Other Funds	35,185	-	150,000	185,185
Accrued Payroll and Liabilities	5,728	3,342	-	9,070
Accrued Vacation and Sick Leave	33,053	27,710	-	60,763
<b>TOTAL LIABILITIES</b>	<u>1,375,712</u>	<u>87,083</u>	<u>642,874</u>	<u>2,105,669</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	3,218	-	-	3,218
Unrestricted	(1,225,417)	(38,729)	(642,874)	(1,907,020)
<b>TOTAL NET ASSETS</b>	<u>\$ (1,222,199)</u>	<u>\$ (38,729)</u>	<u>\$ (642,874)</u>	<u>\$ (1,903,802)</u>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2006**

	FLEET FUND	NUTRITION FUND	SELF INSURANCE FUND	TOTAL
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 903,970	\$ 330,971	\$ -	\$ 1,234,941
Other	5,691	-	-	5,691
<b>Total Operating Revenues</b>	<u>909,661</u>	<u>330,971</u>	<u>-</u>	<u>1,240,632</u>
<b>OPERATING EXPENSES</b>				
<b>Current</b>				
Salaries and Benefits	374,938	203,259	-	578,197
Materials and Supplies	916,003	100,282	-	1,016,285
Purchased Services	8,792	10,552	(72,773)	(53,429)
Unclassified Transactions	136,496	14,074	249,933	400,503
<b>Total Operating Expenses</b>	<u>1,436,229</u>	<u>328,167</u>	<u>177,160</u>	<u>1,941,556</u>
Operating Income (Loss)	(526,568)	2,804	(177,160)	(700,924)
<b>Nonoperating Income (Expenses)</b>				
Interest Income	-	1,370	-	1,370
<b>Total Nonoperating Expenses</b>	<u>-</u>	<u>1,370</u>	<u>-</u>	<u>1,370</u>
Changes in Net Assets	(526,568)	4,174	(177,160)	(699,554)
Net Assets at beginning of year	<u>(695,631)</u>	<u>(42,903)</u>	<u>(465,714)</u>	<u>(1,204,248)</u>
Net Assets at end of year	<u>\$ (1,222,199)</u>	<u>\$ (38,729)</u>	<u>\$ (642,874)</u>	<u>\$ (1,903,802)</u>

**ARCHULETA COUNTY, COLORADO**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended December 31, 2006**

	<u>FLEET FUND</u>	<u>NUTRITION FUND</u>	<u>SELF INSURANCE FUND</u>	<u>TOTAL</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 909,528	\$ 310,512	\$ -	\$ 1,220,040
Cash paid to employees	(360,160)	(195,092)	-	(555,252)
Cash paid to suppliers	(877,003)	(112,443)	213,320	(776,126)
Cash paid - unclassified	(136,496)	(14,074)	(249,933)	(400,503)
Net cash provided (used) by operating activities	(464,131)	(11,097)	(36,613)	(511,841)
<b>Cash flows from noncapital financing activities:</b>				
Change in Bank Overdrafts	464,131	(31,534)	36,613	469,210
Net cash provided (used) by noncapital financing activities	464,131	(31,534)	36,613	469,210
<b>Cash flows from Investing activities</b>				
Interest Received	-	1,370	-	1,370
Net cash provided (used) by investing activities	-	1,370	-	1,370
<b>Increase (Decrease) in Cash and Investments</b>	-	(41,261)	-	(41,261)
<b>Cash and cash equivalents, Beginning of the Year</b>	-	41,261	-	41,261
<b>Cash and cash equivalents, End of the Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Operating income (loss)</b>	\$ (526,568)	\$ 2,804	\$ (177,160)	\$ (700,924)
<b>Adjustments to reconcile net income to net cash provided (used) by operating activities</b>				
(Increase) decrease in accounts receivable	(133)	(20,459)	-	(20,592)
(Increase) decrease in inventory	61,133	5,668	-	66,801
Increase (decrease) in accounts payable	(13,341)	(7,277)	91,480	70,862
Increase (decrease) in accrued employee expenses	14,778	8,167	-	22,945
Increase (decrease) in incurred but not reported claims	-	-	49,067	49,067
Total adjustments	62,437	(13,901)	140,547	189,083
<b>Net cash provided (used) by operating activities</b>	<u>\$ (464,131)</u>	<u>\$ (11,097)</u>	<u>\$ (36,613)</u>	<u>\$ (511,841)</u>

**ARCHULETA COUNTY, COLORADO**  
**OTHER SCHEDULES AND REPORTS**

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**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES AND TRANSFERS OUT**  
**ALL MAJOR CAPITAL PROJECTS FUNDS, NON-MAJOR GOVERNMENTAL FUNDS, AND ALL PROPRIETARY FUNDS**  
**BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2006**

	BUDGETED AMOUNTS		EXPENDITURES		EXPENDITURES ON THE BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	REPORTED ON THE GAAP BASIS	ADJUSTMENTS TO BUDGETARY BASIS		
<b>Governmental Funds</b>						
<b>Major Capital Projects Funds</b>						
Road Capital Improvement Fund	\$ 2,671,124	\$ 2,671,124	\$ 736,783	\$ -	\$ -	\$ 1,934,341
<b>Total Major Capital Projects Funds</b>	<b>\$ 2,671,124</b>	<b>\$ 2,671,124</b>	<b>\$ 736,783</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,934,341</b>
<b>Non-major Governmental Funds</b>						
<b>Special Revenue Funds</b>						
Emergency Reserve Fund	\$ 100,000	\$ 100,000	\$ (1,059)	\$ -	\$ -	\$ 101,059
Tourism Fund	186,000	186,000	216,127	-	-	(30,127)
Fair Board Fund	68,300	68,300	74,241	-	-	(5,941)
Conservation Trust Fund	80,000	80,000	88,100	-	-	(8,100)
Community Service Fund	13,200	13,200	15,565	-	-	(2,365)
Jail Commissary Fund	-	-	(46,545)	-	-	46,545
Emergency 911 Fund	212,425	212,425	134,196	-	-	78,229
Senior Fund	337,992	337,992	257,389	-	-	80,603
Transportation Fund	256,174	256,174	243,261	-	-	12,913
Sidewalk Escrow Fund	6,000	6,000	-	-	-	6,000
Pagosa Lakes Trail Fund	-	-	-	-	-	-
Piedra Road Fund	-	-	-	-	-	-
Local Improvement Districts	-	-	-	-	-	-
<b>Capital Projects Funds</b>						
Capital Improvements	-	-	235,995	-	-	(235,995)
Fairfield Settlement	485,751	485,751	1,834	-	-	483,917
<b>Total Non-major Governmental Funds</b>	<b>\$ 1,745,842</b>	<b>\$ 1,745,842</b>	<b>\$ 1,219,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 526,738</b>
<b>Proprietary Funds</b>						
<b>Enterprise Funds</b>						
Airport Fund	\$ 1,017,626	\$ 1,017,626	\$ 520,238	\$ 2,251,449	\$ 2,771,687	\$ (1,754,061)
Solid Waste Fund	507,611	507,611	600,543	154,196	754,739	(247,128)
<b>Total Enterprise Funds</b>	<b>1,525,237</b>	<b>1,525,237</b>	<b>1,120,781</b>	<b>2,405,645</b>	<b>3,526,426</b>	<b>(2,001,189)</b>
<b>Internal Service Funds</b>						
Fleet Service Fund	1,166,770	1,166,770	1,436,229	-	-	(269,459)
Nutrition Fund	331,397	331,397	328,167	-	-	3,230
Self Insurance Fund	1,152,000	1,152,000	177,160	-	-	974,840
<b>Total Enterprise Funds</b>	<b>2,650,167</b>	<b>2,650,167</b>	<b>1,941,556</b>			<b>708,611</b>
<b>Total Proprietary Funds</b>	<b>\$ 4,175,404</b>	<b>\$ 4,175,404</b>	<b>\$ 3,062,337</b>	<b>\$ 2,405,645</b>	<b>\$ 3,526,426</b>	<b>\$ (1,292,578)</b>

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2006**

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
COLORADO DEPARTMENT OF HUMAN SERVICES		
<i>Food Stamp Cluster</i>		
Food Stamps	10.551	\$ 554,816
State Administrative Matching Grants for Food Stamp Program	10.561	22,601
Total for <i>Food Stamp Cluster</i>		<u>577,417</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
COLORADO DEPARTMENT OF HUMAN SERVICES		
Temporary Assistance to Needy Families	93.558	242,019
Child Support Enforcement	93.563	77,911
Low-Income Energy Assistance	93.568	163,022
<i>CCDF Cluster</i>		
Child Care and Development Block Grant	93.575	13,756
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	59,973
Total for <i>CCDF Cluster</i>		<u>73,729</u>
Child Welfare Services State Grants	93.645	5,205
Foster Care Title IV-E	93.658	99,401
Adoption Assistance	93.659	8,256
Social Services Block Grant	93.667	42,919
Family Violence Prevention and Services	93.671	8,910
<i>Medicaid Cluster</i>		
Medical Assistance Program	93.778	56,268
Total for <i>Medicaid Cluster</i>		<u>56,268</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>		
<i>Airport Improvement Grants</i>		
Airport Improvement Program No.3-08-0066-16	20.106	207,542
Airport Improvement Program No.3-08-0066-15	20.106	1,077,274
Total for <i>Airport Improvement Grants</i>		<u>1,284,816</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u>\$ 2,639,873</u>

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Archuleta County, Colorado and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of County Commissioners  
Archuleta County  
Pagosa Springs, Colorado

We were engaged to audit the financial statements of Archuleta County, Colorado (the County), as of and for the year ended December 31, 2006. In our report, we did not express an opinion because we were not able to obtain written representations from management of the County concerning transactions occurring for the year ended December 31, 2006, which took place under substantially different management, and because of inadequate records and internal controls. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Finding 06-01, 06-02 and 06-05.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 06-01, 06-02, and 06-05 in the schedule of findings and questioned costs to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-03 and 06-04.

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Alamosa, Colorado

February 18, 2008

Except for the Schedule of Expenditures of Federal Awards, as to which the date is March 24, 2008.

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Archuleta County  
Pagosa Springs, Colorado

**Compliance**

We were engaged to audit the compliance of Archuleta County, Colorado, (the County) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management.

We were not able to obtain written representations from management concerning compliance of the County with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006, which took place under substantially different management. In addition the County has not maintained sufficient documentation supporting the compliance of the County with the Airport Improvement Grant, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. Because we were not able to obtain written representations from management of the County as required by auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and because the County did not maintain sufficient documentation supporting the compliance with the requirements of laws, regulations, contracts, and grants applicable to the Airport Improvement Grant, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the County's compliance with the requirements applicable to each of its major federal programs referred to in the first paragraph.

The results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-07, 06-08, 06-09, 06-11, and 06-12.

**Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program

in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, to the Board of County Commissioners but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Archuleta County's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of a compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 06-06 through 06-12 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 06-06 and 06-10 to be material weaknesses.

Archuleta County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Archuleta County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of, management, the Board of County Commissioners, others within the entity, the Colorado Office of the State Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*Wall, Smith, Bateman and Associates, Inc.*

Wall, Smith, Bateman and Associates, Inc.  
Alamosa, Colorado

March 24, 2008

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report does not express an opinion on the financial statements of Archuleta County, Colorado.
2. Five significant deficiencies relating to the audit of the financial statements is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." See Section B. below.
3. Two instances of noncompliance material to the financial statements of Archuleta County, Colorado were disclosed during the audit.
4. Seven significant deficiencies relating to the audit of the major federal award programs were reported in the "Report on Compliance in Accordance with OMB Circular A-133." See Section C. below.
5. The auditors' report on compliance for the major federal award programs for Archuleta County, Colorado does not express an opinion.
6. Seven audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section C. below.
7. The programs tested as major programs included:

Food Stamp Cluster	CFDA No. 10.551 and 10.561
Airport Improvement Program	CFDA No. 20.106
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Archuleta County, Colorado did not qualify as a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Significant Deficiencies / Material Weaknesses**

**Finding 06-01: Internal Control Over Financial Reporting**

*Condition:* The County does not have a complete system of internal control to prevent and detect financial misstatements. The concentration of closely related duties and responsibilities performed by a few people, in addition turnover in key management positions make it difficult to establish a complete system of internal controls.

*Criteria:* A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

programs, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets.

*Effect:* As a result of this condition, at December 31, 2006, all of the County's fund general ledgers were incorrect and required the attention of an outside accounting firm to reconcile the balance sheet accounts which resulted in numerous material adjustments. The revenue and expenditure accounts were not reconciled and contain visible errors which include unclassified revenues and expenditures balances. Numerous adjustments are necessary to properly state the financial statement balances.

*Recommendation:* The County should implement a system of internal control that includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets.

*Management's Response:*

See Corrective Action Plan.

**Finding 06-02: Grant Accounting**

*Condition:* We noted that the County's internal control over financial reporting and the accounting system chart of accounts in use are not adequate to identify and properly account for grant activity.

*Criteria:* Grant regulations and agreements require recipients to have accounting systems in place that identify and separately account for revenues and expenditures by grant.

*Effect:* The County is not able to account for individual grant activity.

*Recommendation:* We recommend that the County review their accounting system for grant accounting and implement controls to insure that grant revenues and expenditures are properly identified and recorded in the County's fund general ledgers.

*Management's Response:*

See Corrective Action Plan.

**Finding 06-03: Deficit Fund Balance and Net Assets**

*Condition:* The following funds had a deficit fund balance/net asset condition at December 31, 2006:

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

	<u>Deficit</u>
General Fund	\$ 457,983
Human Services Fund	363,445
Fair Board Fund	13,271
Community Service Fund	384
Senior Fund	160,714
Transportation Fund	101,468
Pagosa Lakes Trail Fund	23
Fleet Fund	1,222,199
Nutrition Fund	38,729
Self Insurance Fund	642,874

*Criteria:* Governmental entities have a fiscal responsibility to the taxpayers who support their activities. Colorado State Statutes prohibit deficit fund balance or net asset conditions.

*Effect:* Deficit fund balance/net asset conditions hinder the County's ability to function efficiently and effectively. The County is in violation of Colorado State Statutes.

*Recommendation:* We recommend that the County implement an economic recovery plan for each of these funds with the purpose of restoring the fund balance/net assets to an acceptable operating level.

*Management's Response:*

See Corrective Action Plan.

**Finding 06-04: Budgetary Compliance**

*Condition:* The following funds had expenditures that exceeded the adopted budget for the year ended December 31, 2006:

	<u>Excess</u>
General Fund	\$ 731,467
Road and Bridge Fund	86,089
Tourism Fund	30,127
Fair Board Fund	5,941
Conservation Trust Fund	8,100
Community Service Fund	2,365
Capital Improvements Fund	235,995
Airport Fund	1,754,061
Solid Waste Fund	247,128
Fleet Service Fund	269,459

*Criteria:* Colorado State Statutes prohibit the expenditure of funds in excess of the adopted budget.

*Effect:* The County is in violation of Colorado State Statutes.

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

*Recommendation:* We recommend that the County strengthen its controls surrounding expenditures and budgeting, and implement periodic monitoring of budget versus actual variances, and assess the appropriateness of supplemental budget appropriations in the future.

*Management's Response:*

See Corrective Action Plan.

**Finding 06-05: Schedule of Expenditures of Federal Awards**

*Condition:* The County's policies, procedures, and internal control system is not adequate to identify federal grants or to ensure that all expenditures of federal awards are correctly reported.

*Criteria:* Federal regulations require the recipients of federal funds to have accounting systems that identify federal revenue and expenditures.

*Effect:* The County is not in compliance with federal regulations.

*Recommendation:* The County should review their accounting system for grant accounting and implement controls to ensure that federal revenues and expenditures are properly identified and recorded in the County's fund general ledgers.

*Management's Response:*

See Corrective Action Plan.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT**

**Finding 06-06: Airport Improvement Program, CFDA No. 20.106  
U.S. Department of Transportation**

*Type of finding: Internal Control (significant deficiency and material weakness)*

*Condition:* The County does not have a complete system of internal controls to ensure compliance with federal awards.

*Criteria:* A system of internal controls includes the design, documentation, and monitoring of control activities over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

*Effect:* The County cannot insure major program compliance with laws, regulations, and contracts.

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

*Recommendation:* The County should evaluate the control structure over control activities over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

*Grantee's Response:*

See Corrective Action Plan.

**Finding 06-07: Food Stamp Cluster, CFDA No. 10.551 and 10.561**  
**U.S. Department of Agriculture**

*Passed through Colorado Department of Human Services*

*Compliance Requirement: Eligibility*

*Type of finding: Internal control (significant deficiency) and compliance (noncompliance)*

*Condition:* A sample of 20 case files maintained by the Department for participants in the food stamp program were reviewed for supporting documentation required by Staff Manual Volume IV. It was noted that 5 of the 20 case files were missing documentation such as photo identification, verification of housing, shelter costs, and utility costs.

*Questioned Costs: \$ 91*

*Criteria:* All data entered into CBMS must be verified and documented in the case file.

*Effect:* The benefit paid can be over or understated based upon data entry errors and failure to verify source documents.

*Recommendation:* We recommend that technicians and supervisors consistently adhere to the policies and procedures of the Social Service Department and Colorado Department of Human Services Staff Manual Volume IV regarding application completion and insure information in the case files is verified and entered correctly into CBMS.

*Grantee's Response:*

See Corrective Action Plan.

**Finding 06-08: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Compliance Requirement: Allowable Costs/Cost Principles*

*Type of finding: Internal control (significant deficiency) and compliance (noncompliance)*

*Condition:* During testing of the depreciation schedule for the Airport Fund, we noted that adequate depreciation records were not maintained. It was noted that ending prior year accumulated depreciation did not agree to the current year beginning year accumulated depreciation by

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

approximately \$ 180,000. While recomputing the depreciation expense for the Airport runway, we noted a difference of approximately \$ 256,000 causing depreciation expense to be understated by this amount.

*Criteria:* Per OMB Circular A-87, "Charges for ... depreciation must be supported by adequate property records. When the depreciation method is followed, depreciation records indicating the amount of depreciation taken each period must also be maintained."

*Effect:* As a result of this condition, at December 31, 2006, the Airport Fund's depreciation schedule which includes the historical cost, depreciation expense and accumulated depreciation was inaccurate.

*Recommendation:* We recommend that the County develop policies and procedures to ensure that the depreciation schedule is accurate and maintained.

*Grantee's Response:*

See Corrective Action Plan.

**Finding 06-09: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Compliance Requirement: Cash Management*

*Type of finding: Internal control (significant deficiency) and compliance (noncompliance)*

*Condition:* While agreeing the reimbursement request to supporting documentation, it was noted for one expense of \$ 148,318 that the time period was 39 days from the date when the reimbursement was received to the disbursement date clearing the bank.

*Criteria:* Per 49 CFR 18.21 of the Code of Federal Regulations, "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205." "Grantees and subgrantees shall disburse repayments to and interest earned on a revolving fund before requesting additional cash payments for the same activity."

*Effect:* These federal funds were receipted in an interest bearing bank account which accrued interest for 39 days, and they kept the federal funds for more than three days.

*Recommendation:* We recommend that the County develop policies and procedures to ensure that the time between the receipt and disbursement is minimized and the federal funds are deposited in a non-interest bearing bank account.

*Grantee's Response:*

See Corrective Action Plan.

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

**Finding 06-10: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Compliance Requirement: Davis-Bacon Act*

*Type of finding: Internal Control (significant deficiency and material weakness) and compliance (material noncompliance and qualification)*

*Condition:* The County could not provide the certified payrolls for the year for people that worked on the Airport Improvement project, who were subject to the Davis-Bacon Act.

*Questioned Costs:* Unknown

*Criteria:* Per OMB Circular A-110 (Appendix A Contract Provisions), "When required by Federal program legislation, all construction contracts awarded by the recipients and subrecipients of more than \$2,000 shall include a provision for compliance with the Davis-Bacon Act..." "Under this Act, contractors shall be required to pay wages to laborers and mechanics at a rate not less than the minimum wages specified in a wage determination made by the Secretary of Labor."

*Effect:* We cannot determine that people were correctly paid according to the Davis-Bacon Act.

*Recommendation:* We recommend that the County develop policies and procedures to ensure that wages are paid accurately and according to the effective Davis-Bacon Act prevailing rate. In addition, all records related to implementing the Davis-Bacon Act should be retained according to federal guidelines.

*Grantee's Response:*

See Corrective Action Plan.

**Finding 06-11: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Compliance Requirement: Procurement, Suspension, and Debarment*

*Type of finding: Internal control (significant deficiency) and compliance (noncompliance)*

*Condition:* During the audit, it was noted that the County does not have a procurement policy that reflects applicable Federal, State, and Local laws and regulations.

*Criteria:* Per 49 CFR 18.36 of the Code of Federal Regulations, "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

*Effect:* As a result, the County did not have a procurement policy in accordance with applicable Federal laws.

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

*Recommendation:* We recommend that the County develop policies and procedures for procurement.

*Grantee's Response:*

See Corrective Action Plan.

**Finding 06-12: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Compliance Requirement: Program Income and Special Tests and Provisions*

*Type of finding: Internal control (significant deficiency) and compliance (noncompliance)*

*Condition:* The County could not locate supporting documentation or verification that the amounts were deposited for three of the six Airport Fund revenue items selected.

*Criteria:* Per OMB Circular A-110, program income should only be collected from allowable sources and be properly recorded in the accounting records.

*Effect:* The County is not able to support all Airport Fund revenue transactions.

*Recommendation:* We recommend that the County develop policies and procedures to ensure that all Airport Fund revenue is accurate and supported.

*Grantee's Response:*

See Corrective Action Plan.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

**Significant Deficiencies / Material Weaknesses**

**FINDING 05-01: Account Reconciliations**

*Condition:* The County is not reconciling amounts reported in the general ledger for cash, accounts receivable, fixed assets, accounts payable and accrued expenses to Treasurer and bank records, subsidiary ledgers, and other supporting data on a timely basis.

*Status:* Recommendation was not implemented. See Finding 06-01.

**ARCHULETA COUNTY, COLORADO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**December 31, 2006**

**Finding 05-02: Supporting Documentation**

*Condition:* During the course of the audit we requested various reports, invoices, and other supporting documents that the County was unable to provide for us.

*Status:* Recommendation was not implemented. See Finding 06-01.

**Finding 05-03: Schedule of Expenditures of Federal Awards**

*Condition:* We noted that the County's internal control is not adequate to identify federal grants or to insure that all expenditures of federal awards are correctly reported.

*Status:* Recommendation was not implemented. See Finding 06-05.

**Finding 05-04: Component Unit's Lack of Compliance with Single Audit Requirements**

*Condition:* We noted that Archuleta County Housing Authority (the Authority), the component unit of the County, expended \$501,931 of federal funds per the Schedule of Federal Financial Assistance, yet there is no record that the Authority had a single audit performed.

*Status:* There has been no attempt to gain compliance in the 2005 financial statements. Per review of the July 31, 2006 financial statements, the Authority's expenditures for the year were below the \$500,000 single audit threshold, and therefore not considered a current year finding.



## ARCHULETA COUNTY, COLORADO

### CORRECTIVE ACTION PLAN

Oversight Agencies: U.S. Department of Health and Human Services  
and U.S. Department of Transportation

Archuleta County, Colorado respectfully submits the following corrective action plan for the year ended December 31, 2006.

Independent Accountants: Wall, Smith, Bateman and Assoc., Inc.  
Certified Public Accountants  
700 Main Street Suite 200  
P.O. Box 809  
Alamosa, CO 81101

Audit period: Year ended December 31, 2006

The findings from the December 31, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

#### **B. FINDINGS - FINANCIAL STATEMENT AUDIT**

##### **Finding 06-01: Internal Control Over Financial Reporting**

*Recommendation:* The County should implement a system of internal control that includes the design, documentation, and monitoring of control activities over the application of accounting principles, reconciliation procedures, budgeting, antifraud programs, routine and non-routine transactions, financial statement preparation, and the safeguarding of assets.

*Management's Response:* Concur with recommendation. The County has implemented procedures for monthly reconciliations of general ledger account, including but not limited to cash, receivables and payables. The County is in the process of implemented a procurement policy, cash handling policy and a fraud policy.

##### **Finding 06-02: Grant Accounting**

*Recommendation:* We recommend that the County review their accounting system for grant accounting and implement controls to insure that grant revenues and expenditures are properly identified and recorded in the County's fund general ledgers.

*Management's Response: Concur with recommendation. Grant revenue and expenditures are being tracked by source and project and are reconciled back to the general ledger on a monthly basis.*

#### **Finding 06-03: Deficit Fund Balance and Net Assets**

*Recommendation: We recommend that the County implement an economic recovery plan for each of these funds with the purpose of restoring the fund balance/net assets to an acceptable operating level.*

*Management's Response: Concur with recommendation. The County adopted a true balanced budget for 2008 and will continue to do so in the future. The County is also in the process of researching deficit balance to ensure that revenues and expenditures have been recorded to the proper fund. Once completed, interfund loans will be initiated to those funds with deficit balances and repayment of those loans will be budgeted in future years. By committing to adhere to a true balanced budget and the budgeting of the interfund loan repayment, fund balance/net assets will increase to acceptable levels.*

#### **Finding 06-04: Budgetary Compliance**

*Recommendation: We recommend that the County strengthen its controls surrounding expenditures and budgeting, and implement periodic monitoring of budget versus actual variances, and assess the appropriateness of supplemental budget appropriations in the future.*

*Management's Response: Concur with recommendation. The Board of County Commissioners (BoCC) is receiving monthly budget-to-actual reports from the Finance Director. In addition, any budget variance is detailed in a memo to the Board and is also presented at a monthly BoCC meeting. The Finance Department is scheduled to present a midyear budget amendment at the June 17, 2008 BoCC meeting.*

#### **Finding 06-05: Schedule of Expenditures of Federal Awards**

*Recommendation: The County should review their accounting system for grant accounting and implement controls to ensure that federal revenues and expenditures are properly identified and recorded in the County's fund general ledgers.*

*Management's Response: Concur with recommendation. Grant revenue and expenditures are being tracked by source and project and are reconciled back to the general ledger on a monthly basis. This information will allow for accurate reporting of federal grants in the Schedule of Expenditures of Federal Awards.*

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Finding 06-06: Airport Improvement Program, CFDA No. 20.106  
U.S. Department of Transportation**

*Recommendation:* The County should evaluate the control structure over control activities over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.

*Grantee's Response:* Concur with recommendation. The County hired a Contracts and Procurement Officer to oversee all County contracts. This position works in tandem with the Special Projects Manager to oversee grant awards and compliance with grant requirements.

**Finding 06-07: Food Stamp Cluster, CFDA No. 10.551 and 10.561  
U.S. Department of Agriculture**

*Recommendation:* We recommend that technicians and supervisors consistently adhere to the policies and procedures of the Social Service Department and Colorado Department of Human Services Staff Manual Volume IV regarding application completion and insure information in the case files is verified and entered correctly into CBMS.

*Grantee's Response:* Concur with recommendation. The Director of Human Services has committed to ensuring that department staff adhere to the policies and procedures of the Social Service Department and Colorado Department of Human Services Staff Manual Volume IV regarding application completion and insure information in the case files is verified and entered correctly into CBMS.

**Finding 06-08: Airport Improvement Program, CFDA No. 20.106  
U.S. Department of Transportation**

*Recommendation:* We recommend that the County develop policies and procedures to ensure that the depreciation schedule is accurate and maintained.

*Grantee's Response:* Concur with recommendation. The Finance Department has implemented procedures to ensure that all capital asset acquisitions, dispositions and depreciation are recorded accurately and that capital asset sub-ledgers are reconciled to the general ledger on regular basis.

**Finding 06-09: Airport Improvement Program, CFDA No. 20.106  
U.S. Department of Transportation**

*Recommendation:* We recommend that the County develop policies and procedures to ensure that the time between the receipt and disbursement is minimized and the federal funds are deposited in a non-interest bearing bank account.

*Grantee's Response:* Concur with recommendation. The Finance Department is working with the Treasurer's Office to establish a non-interest bearing account for the deposit of grant proceeds.

*The Finance Department is working closely with the Special Projects Manager to monitor grant projects to ensure that time between the receipt and disbursement is minimized.*

**Finding 06-10: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Recommendation:* We recommend that the County develop policies and procedures to ensure that wages are paid accurately and according to the effective Davis-Bacon Act prevailing rate. In addition, all records related to implementing the Davis-Bacon Act should be retained according to federal guidelines.

*Grantee's Response: Concur with recommendation. The County hired a Contracts and Procurement Officer to oversee all County contracts. This position works in tandem with the Special Projects Manager to oversee grant awards and compliance with grant requirements. This includes obtaining proper documentation as it relates to wages paid pursuant to the Davis-Bacon Act.*

**Finding 06-11: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Recommendation:* We recommend that the County develop policies and procedures for procurement.

*Grantee's Response: Concur with recommendation. The County hired a Contracts and Procurement Officer to oversee County contracts and to centralize procurement. The County is in the process of adopting a comprehensive Procurement policy that we anticipate will be adhered to by all County departments.*

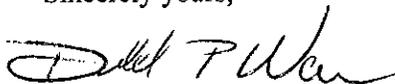
**Finding 06-12: Airport Improvement Program, CFDA No. 20.106**  
**U.S. Department of Transportation**

*Recommendation:* We recommend that the County develop policies and procedures to ensure that all Airport Fund revenue is accurate and supported.

*Grantee's Response: Concur with recommendation. The Finance Department has implemented procedures to ensure that all County revenues are recorded to the appropriate fund and that this information is reconciled monthly between the County general ledger and the Treasurer's ledger.*

If the U.S. Department of Health and Human Services, as oversight agency, has questions regarding this plan, please call Don Warn at (970) 264-8556.

Sincerely yours,



Donald P. Warn  
Finance Director,  
Archuleta County, Colorado

